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UNITED STATES

Changes in Non-Proliferation Strategy Analyzed

Post Cold War Non-Proliferation Diplomacy

92CM0332A Shanghai GUOJI WENTI YANJIU
[WORLD OUTLOOK] No 8, 23 Apr 92 pp 3-4

[Article by Ruan Zongze (7086 1350 3419): "The United States' Notable 'Non-Proliferation Diplomacy'"]

[Text] As a result of the Gulf War and the dramatic changes in the Soviet Union, the proliferation of weapons of mass destruction (including nuclear, biological, and chemical weapons as well as their delivery mechanisms) has become an ever more prominent issue. The United States feels that proliferation of these weapons will be "a threat to the entire world," so it has stepped up consultation with other Western nations, using the Gulf crisis and the disintegration of the Soviet Union as opportunities to engage in frequent activities and to press forward its "non-proliferation diplomacy," which has drawn considerable scrutiny. Major developments in this diplomacy include the following:

First, non-proliferation has been raised to a strategic level of importance. President Bush stated in a speech in March 1991 that one of the four key challenges facing the United States in the wake of the Gulf War is to "take steps to control the proliferation of weapons of mass destruction as well as their delivery missiles." Ronald Lehman, head of the U.S. Arms Control and Disarmament Agency, stated in a meeting on international security and arms control issues at the UN General Assembly's First Committee that dramatic changes have shifted the focus away from the traditional issue of East-West military balance to the prevention of proliferation of weapons of mass destruction and their delivery devices. From this it is apparent that non-proliferation is an important part of the U.S. strategic view of what is needed to establish a "new world order."

Second, the United States intends to enlist the help of its Western allies and use the United Nations to strengthen non-proliferation mechanisms. The United States and the West have a common need to prevent the proliferation of nuclear weapons to Third World nations. They advocate expanding the membership of the Nuclear Non-Proliferation Treaty, strengthening the existing non-proliferation system, and taking full advantage of the non-proliferation and weapons monitoring functions of the Nuclear Non-Proliferation Treaty, the Missile Technology Control Regime, and the UN International Atomic Energy Agency. On another front, they will try to call for new non-proliferation measures, such as establishing a new non-proliferation mechanism, intelligence sharing, etc.

Third, while maintaining its "nuclear superiority" and "nuclear deterrent," it is suggesting sharp nuclear weapons cuts and a de-escalation of the nuclear standoff. Last July, after the United States and the

Soviet Union signed the Strategic Arms Reduction Treaty, President Bush called for new nuclear weapons cuts last September and in January of this year, and he called for the Soviet Union (Russia) to take corresponding measures. Public commentary held that these nuclear weapons cuts were merely "limited cuts" intended to cull out older weapons and replace them with more advanced ones, and that they did not diminish the superpower status of the United States in the slightest. In addition, the U.S. government appropriated 400 million dollars to aid the destruction of nuclear weapons in Soviet Union territory.

Fourth, the United States is tightening restrictions on the export of "dual use" technology, raw materials, and equipment. The U.S. Government announced three new measures in March 1991. 1) They have drawn up a list of "dual use equipment." Anyone exporting equipment to the Mideast or Southeast Asia which appears on this list must apply for an export permit. 2) The number of types of chemicals for which export permits are required has been increased from 11 to 50. 3) The government will be allowed to intervene in enterprises that it believes to be helping some countries manufacture or develop nuclear weapons. At the same time, it has met many times with the Australia Group to discuss and coordinate activities. This is a group of 20 nations whose purpose is to prevent the proliferation of biological and chemical weapons. The United States has asked those nations to improve the regulation of exports of nuclear weapons materials and production equipment.

Fifth, the United States is hiring nuclear scientists from the former Soviet Union and buying its advanced technology. The head of the U.S. Strategic Defense Initiative argues strenuously that the United States must buy the former Soviet Union's key technologies and hire its nuclear specialists. He feels that doing so will save the United States billions of dollars. It is reported that the U.S. Government is preparing to hire more than 100 Russian scientists to work on nuclear fusion research. That would be killing two birds with one stone. Other reports indicate that the United States and Russia have agreed to establish an intelligence exchange center so that former Soviet specialists will not find themselves without anything to do.

Why does the United States attach so much importance to non-proliferation? There are a number of reasons.

1. Iraq's use of Scud missiles during the Gulf war to attack U.S. bases made the United States feel that nuclear proliferation poses an urgent threat. The Gulf war also showed that in the wake of the collapse of the Soviet Union, regional conflicts will become the focus of U.S. defensive operations. In particular, the appearance of major regional powers that have or will have nuclear, chemical, and biological weapons constitutes a serious threat to U.S. global strategic interests, and the United States feels that these threats must be nipped in the bud.

2. The disintegration of the Soviet Union has increased the danger of nuclear proliferation. Public commentary holds that the Soviet Union's split into the four nuclear states of Russia, Ukraine, Belarus, and Kazakhstan is in itself a type of nuclear proliferation. Furthermore, all of these countries face serious economic difficulties, ethnic strife, and territorial disputes. The recrudescence of any of these conflicts would greatly increase the danger that the enormous quantities of former Soviet nuclear weapons, nuclear technology, and nuclear experts could leak to other countries or become uncontrollable. Recent events indicate that both Ukraine and Kazakhstan could possibly retreat from their stated position that nuclear weapons in their territory should be transported to Russia. In fact, Ukraine has already announced this past March that it will temporarily discontinue shipments of tactical nuclear weapons in its territory to Russia. This will complicate Western efforts to prevent the proliferation of the nuclear weapons of the former Soviet Union.

3. The number of nations in the nuclear club and on the nuclear threshold is on the verge of rising. As science and technology develops and exchange increases, some Third World countries, in pursuit of various interests, are trying to obtain nuclear energy capability or the ability to develop nuclear weapons. According to U.S. Defense Department estimates, 15 Third World countries will have the capability of manufacturing nuclear weapons by the end of the century, and 8 of these countries will either possess or be close to possession of nuclear weapons; 30 countries will possess chemical weapons; and 10 countries will be capable of deploying biological weapons. The United States believes that once these countries combine these nuclear, biological, and chemical weapons with delivery systems, "the global military balance will undergo a tremendous change" in a way extremely prejudicial to U.S. interests.

Of course, U.S. "non-proliferation diplomacy" also faces numerous difficulties. The prospects for success are not bright.

First, although the United States and its Western allies are in agreement on non-proliferation, they are on guard against each other, and there is a tendency toward serious distrust. The NEW YORK TIMES has recently revealed that a U.S. Defense Department report states that the United States will assure that its "superpower status" is not challenged by any "potential enemies." This report stated the belief that Germany, Japan, and other rich nations may be interested in obtaining nuclear weapons. News of this report created an uproar. German Chancellor Helmut Kohl immediately denied that his country had any intention of obtaining nuclear weapons. It is apparent that the United States and its allies are intriguing against each other. This means that the degree of coordination among them is limited.

Second, it has been revealed that over 100,000 people worked on nuclear weapons in the former Soviet Union, of whom 10,000 to 15,000 are in possession of truly secret intelligence, and 2,000 to 3,000 are in possession

of top secret information on advanced technology. The United States can only hire a small percentage of these specialists, and if the economy in the Commonwealth of Independent States does not improve significantly (there is no clear upturn in the near future), these nuclear experts could migrate abroad at any time. Military industrial corporations in the former Soviet Union have expressed a willingness to sell such nuclear technology and materials as underground nuclear testing technology, nuclear reactors for outer space, and high energy rings. In addition, Western intelligence agencies indicate that some Third World countries are now offering high salaries to hire nuclear specialists from the former Soviet Union who can help them carry out their nuclear development plans.

In summary, the world is now at an important cross-roads. As the United States strengthens coordination with its allies, it is emphasizing the role of the United Nations in order to assure that its "non-proliferation diplomacy" will be viewed as a just cause. People have taken note of the fact that the United States is using this diplomacy to put pressure on Third World countries. It hopes to assure its hegemony in the "new world order."

Post Cold War U.S. Nuclear Adjustments

92CM0332B Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 2, 13 Apr 92 pp 24-30

[Article by Tan Han (6223 3352): "New Problems Involving Control of Nuclear Weapons under the New Circumstances"]

[Excerpts] The 1991 disintegration of the Soviet Union brought to an end the bipolar arrangement that had determined the nature of international relations for more than 40 years after World War II. The most notable aspect of the bipolar situation was that the military standoff between the Soviet Union and the United States continually occupied a position of prominence. The arms race was the clearest reflection of this standoff. For the Soviet Union and the United States, the result of the decades-long arms race was "one defeated, one injured."

Participation in a continually escalating arms race with the United States was an important cause of the Soviet collapse. In order to fight for global hegemony and gain military superiority, the Soviet Union poured huge quantities of material, human, and financial resources into the arms race. Statistics indicate that about 25 to 30 percent (some estimates go as high as 40 percent) of the GNP of the former Soviet Union was devoted to military purposes. The heavy burden of the arms race was an importance cause of its poor economic performance.

The arms race toppled the Soviet Union. Its adversary, the United States, switched from being a creditor nation to a debtor nation. The U.S. national debt stands today at more than 4 trillion dollars. The deficit is now a chronic malady for the U.S. economy. The rich empire that bestrode the globe like a colossus after World War II

is a thing of the past. Its share of global economic output has fallen from about 50 percent in the post-war period to less than 25 percent today, and it is struggling in the mire of economic recession.

The U.S.-Soviet arms race, which involved two countries with different social systems and ideologies in pursuit of military superiority and global hegemony, quieted down after the Soviet disintegration. However, the world's two biggest nuclear arsenals, which were formed in the course of this arms race, still exist. Due to the disintegration of the former Soviet Union, the situation with this arsenal is now more complex and unstable.

In order to adapt to the changes in the Soviet Union and the changes in the overall international picture brought on by the end of the cold war, the United States is now readjusting its security strategy. It is now shifting its strategic focus from countering the Soviet Union to dealing with regional conflicts.

Under the new circumstances, Russia and the United States both find it in their interest to make further nuclear cuts, and each has made various proposals, between which there are still important differences. Although future negotiations will not drag on forever, they will not come to a successful conclusion over night.

This article shall present a general description of the three issues mentioned above. [passage omitted]

II. Changes in U.S. Security Strategy and Readjustment of its Nuclear Policy

In order to adapt to the enormous changes internationally, the United States has been changing its national security strategy since 1990. The disintegration of the Soviet Union has accelerated this change. There are three main factors affecting this change. 1) With the changes in Eastern Europe, the collapse of the Warsaw Pact, and the end of the cold war, the danger of all-out nuclear war has receded. 2) Now that the cold war has ended, the political aspirations of regional powers, ethnic conflicts, religious conflicts, and border disputes which had long been suppressed because of the U.S.-Soviet standoff are now coming into the open. Some regions are in tumult. For various reasons, some developing countries are greatly strengthening their military. A counter current against arms cuts has appeared. More countries may gain the use of ballistic missiles and nuclear weapons. 3) Calls within the United States for larger military spending cuts and arms reductions are growing stronger. Although the United States is the only superpower, deficits are piling up, the economy is sluggish, and the government is in worse and worse financial straits. There is a need to cut the country's huge military expenditures.

In the president's words, the new U.S. security strategy "will no longer focus on the contingency of a global conflict, but on regional conflicts." In other words, the United States is switching from the cold war containment policy to a policy based primarily on responding to

regional conflicts. In accordance with this new strategic thinking, the size of the U.S. Army, Navy, Air Force, and nuclear forces will shrink, as will military spending. In his 1992 State of the Union Address, President Bush proposed a \$50 billion cut over the next five years. The United States expects to build a smaller, yet stronger, military force which will be able to respond effectively to crises. At the same, it will continue to maintain a reliable nuclear deterrent. The United States is attempting to set up a smaller, safer, more stable nuclear status quo with the heirs to the former Soviet nuclear arsenal. The objectives of the new U.S. nuclear strategy, which is built on the foundation of its new security strategy, are to use a smaller nuclear force to continue assuring the "leadership position" of the United States in world affairs, and to deter any possible hostile activities on the part of developing countries or the former Soviet republics.

During this period of change in its security strategy, and in the face of the new situation with the former Soviet nuclear arsenal, U.S. nuclear policy now exhibits three characteristics.

1. The United States remains vigilant toward the former Soviet nuclear arsenal. In the wake of the disintegration of the Soviet Union, it is working to keep it from slipping out of control and proliferating.

Even though the Soviet Union had already declared during the Gorbachev era that it no longer regarded the United States as an enemy, the United States continues to maintain that its nuclear arsenal is still "the only thermonuclear force in the world that could destroy Western civilization in 30 minutes," and that it must be guarded against. Since the abortive Soviet coup of 19 August, the United States has been increasingly worried that the uncertain political future there could lead to a loss of control over and proliferation of the huge Soviet nuclear arsenal. On the eve of the Soviet breakup, the U.S. secretary of state hastily visited several Soviet republics that had nuclear weapons. The main objective of the visit was to seek assurance that their nuclear arsenals would not slip out of control and proliferate. He asked that the nuclear republics place their arsenals under the rigorous control of a "unified" organ. To achieve this end, the United States offered both a carrot and a stick. On the one hand, the United States required that these republics honor U.S.-Soviet arms reduction agreements (including the Strategic Arms Reduction Agreement) and that they take responsibility for preventing nuclear proliferation as a condition for U.S. aid and recognition of their independence. On the other hand, the United States made plans to appropriate a sum of money to help dismantle nuclear weapons. The U.S. congress has already passed an appropriations resolution to provide \$400 million for this purpose. Any republic that has not satisfied U.S. demands will not gain U.S. recognition or aid. The United States is still engaged in discussions with Russia on sending technical specialists to help with the management and dismantling of nuclear weapons, and it has taken steps to prevent the emigration of nuclear specialists.

2. It is seeking further reduction of the former Soviet nuclear arsenal, particularly of land-based multiple warhead intercontinental ballistic missiles, which pose the greatest threat to U.S. security.

After the United States and the Soviet Union signed the Strategic Arms Reduction Treaty (START) in 1991, on which they had been negotiating for nine years, members of the U.S. arms control community boasted that it would be many years before the next arms reduction negotiations because START had to be "digested," new reduction targets had not been determined, negotiating teams had to be reconstituted, etc. However, after the events following the abortive coup, Soviet disintegration became a fact, and loss of control over the former Soviet nuclear arsenal became a real danger. In response, the United States quickly readjusted its nuclear policy, hastily announcing on 27 September a unilateral call for nuclear weapon reductions. One of its objectives was to make it easier for the Soviet Union to reduce its own nuclear weapons, and to prevent the proliferation of tactical nuclear weapons. At the same time, the United States also called for elimination of all multiple warhead intercontinental ballistic missiles in order to accelerate the progress of arms reductions. However, Bush's proposals only called for reduction of multiple warhead intercontinental ballistic missiles, in which the Soviet Union enjoyed superiority, and said nothing about submarine-launched ballistic missiles based at sea, an area where the United States enjoyed an edge. As a result, the proposal met with a cold reception from Gorbachev. In his 5 October response, Gorbachev only called upon both sides to "step up negotiations aimed at reducing all relevant offensive strategic weapons by about one-half."

In this 28 January State of the Union Address this year, President Bush once again called upon the CIS to destroy all of its land-based multiple-warhead ballistic missiles. In return, the United States offered to "destroy all of its MX missiles; reduce the number of warheads on each of its Minuteman missiles to one; reduce the number of warheads on its sea-based missiles by about one-third; and convert a considerable percentage of its strategic bombers to primarily conventional uses." This offer to reduce the number of warheads on its sea-based ballistic missiles, an area where the United States enjoys an advantage, by one-third was intended as bait to entice the CIS nuclear nations to come to an agreement to destroy all of their land-based multiple warhead intercontinental ballistic missiles. Carrying out reductions according to the U.S. proposal would leave about 4000 to 4500 nuclear warheads. Yeltsin released a statement on 29 January in which he made a new call for both sides to reduce their strategic nuclear warheads to between 2000 and 2500.

The fact that Bush has twice proposed the destruction of all land-based multiple warhead intercontinental ballistic missiles shows how anxious the United States is to reduce this part of the former Soviet nuclear arsenal. Land-based multiple warhead intercontinental ballistic missiles which are launched from missile silos are highly

accurate and destructive. Some call them the "doomsday missiles," and they pose a great threat to the United States. Although Yeltsin has called the relationship between Russia and the United States a partnership, and has even described the two countries as "allies," the United States is still unequivocal on this point. Under the current circumstances, the United States must both reduce land-based multiple warhead intercontinental ballistic missiles and maintain its nuclear deterrent. For this reason, the United States continues to refuse to stop nuclear testing or to renounce the first use of nuclear weapons, and it will not lightly agree to reduce the number of its strategic nuclear warheads to the 2000-2500 suggested by Yeltsin.

At the same time as it reduces nuclear weapons, the United States continues to develop new types of weapons. The United States has always believed that its superiority lies in its high technology. Since the Gulf war, the United States has redoubled its emphasis upon the importance of advanced military technology. U.S. policymakers believe that readjustment of U.S. military forces is not only a matter of reducing troops and weapons, but also means improving the performance of weapons, making them faster and more lethal. Secretary of Defense Dick Cheney stated, "we must formulate a strong program to assure continued U.S. military superiority." Neither nuclear nor conventional weapons can be left out of such a program. In his two calls for nuclear arms reductions, President Bush announced a halt of development and procurement plans for certain weapons, but it is reported that the United States is still doing research and development on other new types of weapons, including ground boring weapons [zuan di shi wu qi 9449 0966 1709 2976 3049] microwave weapons, particle beam weapons, electromagnetic rail guns, X-ray laser weapons, etc. In the 1993 defense budget report issued by the U.S. Defense Department, the government will seek a defense budget \$9.9 billion lower than in 1992, a 7 percent cut. However, funding for regular military research will rise from 10.6 billion to \$12 billion, a 9.1 percent jump. This reflects the fact that the Defense Department is emphasizing research into high tech weapons of the future.

3. The United States will accelerate development of the Strategic Defense Initiative, and it will make deployment plans.

Although the cold war has ended, the proliferation of nuclear and missile technology means that more nations will possess intercontinental ballistic missiles. The United States believes that this poses a security threat. In a speech on 27 September 1991, President Bush stated, "15 nations now have this type of missile (ballistic missiles), and within ten years, this number could rise to 20." In addition, one cannot rule out the possibility that a nuclear nation in the CIS, due to a random incident or because of a decision to act without authorization, could launch a limited number of missiles. For this reason, in order to prevent any accidents, the United States believes it is necessary to accelerate development and

deployment of a system to defend against missile attacks. Bush called upon the leaders of the former Soviet Union to act in concert with the United States to "take concrete steps, on the precondition that such steps do not detract from the stability of current nuclear deterrent forces, to allow limited deployment of non-nuclear defense forces in order to defend against limited scale missile attacks, regardless of their provenance." The intent of this statement was to get the Soviet leadership not to oppose U.S. plans.

The Strategic Defense Initiative was first proposed by former U.S. President Reagan in 1983. This is the plan known to everyone as "Star Wars." The object of the initiative was to prevent an all-out nuclear attack by the Soviet Union. Reagan's purpose was to make nuclear weapons "obsolete." Not only does this plan present huge technological hurdles, but it is also tremendously expensive. After Bush assumed the presidency, with the reduced Soviet threat and growing U.S. fiscal problems, although he favored continuing the initiative, he also modified the plan, reducing its scope. The objective of the new plan is to defend against a limited ballistic missile attack, and the plan relies primarily on current technology. This new plan was named Global Protection Against Limited Strike (GPALS) to distinguish it from Reagan's Strategic Defense Initiative (SDI).

This object of this plan is to be able to destroy 200 missiles coming in simultaneously. Its design includes the construction of a two-tier anti-ballistic missile defense system. One tier is land-based. The plan is to deploy non-nuclear interceptor missiles in six or seven locations. The other tier is based in outer space and would consist of about 1000 small rocket-carrying satellites (called Brilliant Pebbles).³ This plan has the support of the House and Senate. In the 1992 defense spending bill passed in November 1991, against a backdrop of across-the-board cuts, \$4.15 billion were appropriated for this plan, a sharp increase of 29 percent over the previous year. A further increase to \$5.4 billion has already been recommended for the 1993 defense budget. This bill also required that a 100-missile interceptor system be installed at the North Dakota Grand Forks Air Force Base by 1996. The bill also call upon Bush to negotiate for revisions to the Anti-Ballistic Missile Treaty so that interceptor weapons can be deployed in more sites. This is the first time that the Congress has approved the deployment of such a defense system since the 1983 SDI proposal. It is believed that members of Congress have supported this plan because they are worried about Third World missile proliferation and the uncertainty in the former Soviet Union. Furthermore, if the United States deploys a strategic defense system, it would give the nation a strategic posture which includes both defensive and offensive capabilities. This is extremely important if the United States is to fulfill its duty to "lead the world."

While still in power, Gorbachev had stated his "intention to discuss the U.S. proposal for non-nuclear anti-ballistic missile defense systems." In his statement on

strategic missile reduction on 28 January 1992, Yeltsin also spoke favorably about the issue of a U.S. anti-ballistic missile defense system. He expressed his willingness to continue, without preconceptions, discussions with the United States on the issue of a limited non-nuclear defense system, and he suggested the establishment of "a global system to defend international society." So far the United States has only agreed to talk with Russia about a warning system to guard against ballistic missile attacks. Talks between the two sides on this issue have just begun, and their positions on concrete issues are not yet clear. It has yet to be seen to what extent they will be able to reach consensus and take joint action. If Russia and the United States acted together to deploy a space-based defense system, it would inevitably cause great concern around the world.

III. The United States and Russia Begin a New Round of Negotiations on Nuclear Weapons Reductions

In order to push forward with nuclear arms reductions, Bush and Yeltsin have each put forward proposals for further nuclear weapons reductions (the main content of which has been mentioned above). In wide-ranging discussions at Camp David on 1 February, the two sides again brought up this issue. Bush said that their meeting "further proved that the cold war is over," and that they "will engage in further cooperation in economic and political affairs." They also agreed to "cooperate on the security, control, and reduction of nuclear arms, and a series of other broad issues." U.S. Secretary of State Baker visited Moscow on 18 February and engaged in discussions on further nuclear arms reductions. It is expected that the U.S. and Russian presidents will have another summit meeting later this summer in the United States.

Proposals by Bush and Yeltsin this year for nuclear weapons cuts have taken place against the backdrop of the U.S. election year. If Bush can get an agreement on the reduction of land-based multiple warhead intercontinental ballistic missiles that is favorable to U.S. interests, it would have a positive long-term impact on U.S. security and efforts to lighten its economic burdens, which would inevitably help his candidacy. As for Yeltsin, he has only just arrived on the international stage in the wake of Gorbachev. If he can achieve an arms reduction agreement to brag about, it would strengthen Russia's prestige as well as his own, and would advance relations with the United States. In the area of military affairs, even if they are able to reach a compromise, all of the nuclear weapons in the other three nuclear nations in the CIS will be eliminated, and Russia will become the only nuclear nation on the soil of the former Soviet Union. In view of Yeltsin's haste to establish closer relations with the United States, he may make greater concessions in the area of nuclear arms reductions. The two sides did away with the old arms control apparatus in the recent negotiations, switching instead to direct negotiations between their respective ministers of foreign affairs. In

view of the various factors listed above, the negotiations may progress rather rapidly.

On the other hand, there are also factors working against progress in negotiations. Unlike Gorbachev, there is a question as to whether Yeltsin can negotiate on behalf of the entire nuclear arsenal of the former Soviet Union. It is reported that Ukrainian President Kravchuk has stated that Russian President Yeltsin has no authority to represent the new CIS in negotiations on strategic weapon reductions. For phase one of the negotiations, he advocates having the four former Soviet nuclear negotiate equally with the United States. For phase two, he suggests inviting other world powers to participate in the negotiations, which would further complicate them. Because this round of negotiations on strategic weapons reductions touches on the issue of the nuclear status of the other three nuclear nations, this is something they are sure to make an issue of, and they will use it as a bargaining chip. However, it remains to be seen whether they will remain insistent regardless of U.S. wishes.

Notes

3. See U.S NEWS AND WORLD REPORT 14 October 1991.

SOUTHEAST ASIA/PACIFIC

New Zealand Opens Shanghai Consulate-General
OW1707190392 Beijing XINHUA in English
1540 GMT 17 Jul 92

[Text] Shanghai, July (XINHUA)—A New Zealand consulate-general opened here today.

Rick Christie, chief executive of the New Zealand Trade Development Board, and New Zealand ambassador to China Michael Powles co-hosted the opening ceremony.

It was the 15th consulate general to open in Shanghai.

Shanghai's Deputy Mayor Zhao Qizheng was present at the ceremony.

In his speech at the ceremony, Christie said that the opening of the New Zealand consulate-general in Shanghai marked a further development in New Zealand-China friendly relations and showed New Zealand's confidence in expanding its economic and trade ties with Shanghai and other regions in the Yangtze River Basin.

He introduced the new Consul-General, Gerard T. Dennehy, saying that Dennehy had been engaged in bilateral economic and trade co-operation for some 10 years.

Christie revealed that New Zealand is planning to open a consulate-general in Guangzhou.

Zhao made a congratulatory speech at the ceremony, saying Shanghai and New Zealand have close trade ties and that the annual trade volume between the two countries has reached over 20 million U.S. dollars in the past two years.

After the ceremony, Christie and Powles co-hosted a banquet for the guests.

Party-Building, Supervision in Shenzhen Described

*HK1307080692 Beijing QIUSHI in Chinese
No 7, 1 Apr 92 pp 24-29*

[Article: "Build Party Organizations Into a Powerful Core for Leading Socialist Modernization in Special Zones"; "This is a findings report. Those joining in the investigation were the Party Building Investigation and Study Group of the Shenzhen City CPC Committee, the Investigation and Study Groups of the Policy Research Center and the Organization Department of the CPC Central Committee, the Investigation and Study Group of the Party Building Teaching and Research Department of the Central Party School, and the Investigation and Study Group of the Political Theory Department of QIUSHI Journal Office"]

[Text] It has been 12 years since the founding of the Shenzhen Special Economic Zone [SEZ] in 1980. Soon after its establishment, some people were worried if Shenzhen could build up its economy on a poor and backward small border town and if Shenzhen would deviate from the socialist orientation when the economy developed. Practice has given a reply. While firmly grasping economic construction as the center, the Shenzhen SEZ has upheld the four cardinal principles and reform and opening up. It has not only attained impressive achievements in economic construction with sustained, high-speed development, but also strengthened socialist civilization building, and promoted society's overall progress. The achievements of the Shenzhen SEZ are due to the correct leadership of central and provincial authorities, enormous support from all parts of the country, and hard work by the people of the special zone. For the SEZ itself, the most fundamental is the comprehensive and correct implementation of the party's basic line of "one center, two basic points" and the constant effort to strengthen party building and turn party organizations into a powerful core for leading socialist modernization in the special zone.

Firmly Grasp the Key Question of Consolidating the Party's Ruling Position and Ensure the Party's Overall Leadership Over the Special Zone

Since reform and opening up, the mode of party leadership has changed, which, some people worry, would weaken its ruling position. Having taken notice of the issue, the Shenzhen City CPC Committee has come to realize that although the party normally does not directly guide economic work after the separation of the functions of the government from those of the party, the party organization plays a leadership role in implementing the party's line, principles, and policies, and decisions on major issues must be made by the party organization. The party must concern itself with principles, policies, organization, and cadres. If the party does not concern itself with organization and leadership, political leadership will certainly come to naught. The Shenzhen City CPC Committee insists that decisions on

major matters concerning the special zone's development strategies, construction plans, reform proposals, policies and regulations, administration of cadres, and social and economic development must be made by the standing committee of the city committee through collective discussion. It has also promptly handled and coordinated the relations between political stability and economic development, material and spiritual civilizations, and economic and political tasks, and has constantly resolved contradictions, thus achieving the party's overall leadership in construction in the SEZ. By so doing, the worries of some people over the possible diminution of the party's ruling position have been removed. To strengthen party leadership, a fundamental thing is to uphold the party's basic line and the socialist orientation in the building of the SEZ.

We have upheld the self-perfection and development of the socialist system as the ultimate goal of reform. While public ownership should be upheld as the main form in reforms in the SEZ, it should not be understood in an oversimplified way as the unitary "state-run system." In the course of the rapid development of many economic sectors, the city party committee has paid attention to educating and guiding party organizations at all levels, particularly those in economic management departments and enterprises, attached importance to increasing the proportion and amount of state-owned assets, and ensured the dominant status of the public economy in the SEZ. An investment management company was especially set up to strengthen administration over state assets and support the development of state-run enterprises to ensure the security and appreciation of state-owned assets. After more than 10 years of development, state-owned assets belonging to Shenzhen city have exceeded 27 billion yuan. Upholding the dominant status of public ownership also involves guidance. Led and guided by enterprises under public ownership, all of the enterprises in the special zone, whether foreign- or domestic-funded, and regardless of the nature of their ownership, should observe state laws and policies and the relevant regulations of the SEZ, and be conducive to the development of the socialist economy. In the countryside, the double-tier management contract responsibility system has been actively promoted and, by developing the shareholding system, idle and consumption funds in society have been constantly diverted into the field of production. The collective economy in towns and villages has consistently held a dominant position in rural shareholding economic associations. The city party committee has persisted in reforming the distribution system so as to fully arouse the initiative of laborers to achieve a common prosperity. It has also paid attention to solving the problem of unfair distribution at a fairly early date by instituting a salary regulatory tax and a personal income tax. In 1990, the city collected 134 million yuan in taxes, including 42.71 million yuan from personal income regulatory taxes.

In Shenzhen's reform and opening up, the city party committee has always prudently handled the question of

how to treat the experiences of foreign countries and Hong Kong in developing the commodity economy. In its practices, it has made positive efforts to draw on international practices that are conducive to the development of a socialist economy, avoided copying practices that do not suit our country's national conditions, and assimilated, absorbed, and readapted those that can be used for reference. For instance, the enterprise shareholding system is the result of the development of socialized mass production in the world. Through cautious study, the city party committee has come to the belief that drawing on the forms and practices of shareholding systems overseas will be conducive to straightening out enterprise equity relations, enhancing enterprise vigor, and developing the socialist planned commodity economy. A group of enterprises with solid foundations were then selected to conduct experiments in the shareholding system in order to gradually explore more experiences. Through years of effort, more than 100 shareholding enterprises were set up in the city by 1991. They incorporate shares owned by the state, enterprises, collectives, legal persons, foreign investors, and other individuals, with state shares occupying the controlling position. In accordance with the norm of turning rights into securities, on top of the six existing listed companies, the stocks of another 11 companies were approved in 1991 for listing on the market, including the four companies that issue 'B' shares in renminbi to Hong Kong, Macao and abroad. After several years of development, five of the six originally listed companies achieved an average increase in profits of 215 percent by 1990, with an average increase of 87 percent in net assets and 155 percent in fixed assets. A new path has been explored for the development of state-run enterprises.

The SEZ has persisted in grasping the development of both a material and spiritual civilization to achieve the comprehensive progress of society. The strengthening of the development of socialist spiritual civilization is the guarantee by which the SEZ's economic construction will stick to socialism. Over the past 10 years and more, the city party committee has done a great deal of work in spiritual civilization building. For instance, it has formulated the "Outline for Building Socialist Spiritual Civilization" and has appealed for the promotion of the Shenzhen spirit characterized by "innovation, the blazing of new trails, unity, and dedication"; vigorously developed educational, scientific, cultural, and public health undertakings to constantly improve cadres' and staff workers' science and cultural levels; resolutely rectified public order and cracked down on criminal offenders; improved management rules and regulations governing the culture market; and created state-level hygienic cities. These efforts have helped develop a new generation of people who provide intellectual support to the building of the SEZs, and enabled the gradually shaping of the new socialist style of being sincere, friendly, civilized, polite, and obeying laws and discipline.

The strengthening of party leadership must have organizational guarantees. The city party committee attaches

importance to giving scope to the role of grass-roots organizations as a fighting force, to their guaranteeing and supervisory role, and to their exemplary vanguard role. Shenzhen has more than 70,000 party members with over 6,000 grass-roots party organizations. The city party committee has required that the establishment of enterprises and institutions must be conducted simultaneously with that of party organizations. Foreign-funded enterprises must implement this rule also. Party members who are transferred to the SEZ or dispatched by inland associated units to work in Shenzhen for over six months must transfer their membership credentials. In view of different situations in various units, the city party committee has raised specific requirements and put forward specific tasks to party members. Because Shenzhen has many foreign-funded enterprises, the city party committee has required that party organizations in these enterprises should play the role of guaranteeing and supervising implementation of the party's line, principles, and policies, and play a leading role in political and ideological work, and coordinate relations between various sides. Party members in foreign-funded enterprises are required to take the lead in five aspects: Implement the party's policy of opening up; unite and cooperate with foreign investors; learn modern science and culture and management expertise; finish production tasks; and resist the corrosion of decadent bourgeois ideologies.

Guide the Initiatives of Party Organizations and Members To Realize the Party's Central Task and Quicken Economic Development

One of the important goals in setting up SEZs is to explore ways of developing the economy faster under socialism. No existing models are available for us to follow and efforts must be made to break with the old rigid system in order to liberate and promote the productive forces. The city party committee has boldly taken up a new approach in practice.

1. We must resolutely carry out the party's line, principles and policies, and rely on the initiatives of vast numbers of party members and laborers to form enormous material forces. When the Shenzhen SEZ was first established, it had a weak economic base due to lack of funds, technology, and talent. Under those circumstances, the city party committee took a variety of measures to educate party members on the party's line, principles and policies laid down since the Third Plenary Session of the 11th CPC Central Committee to enable them to fully understand the great significance of building up the SEZ's economy and to stimulate their initiative in economic construction. By adopting numerous channels and methods to introduce investment from abroad, establish lateral ties at home and absorb idle funds in society, and applying the method of "borrowing somebody else's chicken to lay eggs for oneself" and "snowballing," Shenzhen has gradually established a self-accumulation and self-development mechanism, and enhanced its economic power. The SEZ has spent a total of more than 2.8 billion yuan on capital

construction, with 1.28 percent from direct investment by the state, 7.27 percent from investments by various ministries of the central government and provincial authorities, 22.55 percent from bank loans, 23.60 percent from foreign investors, 11.79 percent from city finance, 25.31 percent from funds raised by enterprises themselves, and 8.20 percent from other sources. Since the founding of the SEZ, more than \$3.8 billion in foreign investment and 4.5 billion yuan of domestic funds have been introduced, and more than 4,000 foreign-funded enterprises and 4,000 enterprises jointly set up with other parts of the country have been established with a production capacity of 30 billion yuan annually, and a unitary small agricultural town has been turned into a comprehensive SEZ making considerable contribution to the state. In the period from 1985 to 1991, Shenzhen submitted to state coffers more than 2 billion yuan. Over the past 11 years, Shenzhen customs has submitted to the state 10.785 billion yuan in customs duties, and banks have handed out 4.852 billion yuan in profits and taxes. Enterprises jointly set up with other parts of the country have produced a total value of more than 2 billion yuan in profits, and provided 1 million jobs to laborers from inland areas who have sent back home more than 5 billion yuan in income.

2. The SEZ has learned to command the law of the commodity economy, take the development of an export-oriented economy as a major goal and task in the building of the SEZ, and actively explored the development of a new structure of socialist planned commodity economy and an economic operations mechanism combining planning with the market. Establishing some kind of economic structure and mechanism is yet another fundamental issue facing the development of the SEZ. In accordance with the spirit of the CPC Central Committee and Shenzhen's actual conditions, the city party committee has decided that the main SEZ practice is to combine planning with market regulation. Over the past 10 years or so, markets for labor, real estate, production means, technology, information, funds, securities, and foreign exchange have been successively established, initially forming a market system. More than 97 percent of price controls have been lifted, thus enhancing the vigor of the SEZ's economy. In order to realize the goal of developing an export-oriented economy in the SEZ, the city party committee has encouraged and organized party members and cadres to strengthen their conscientiousness toward and ability in administering the export-oriented economy, learn to "swim" in the sea of the commodity economy, and tried hard to foster a number of economic and trade cadres with high political quality and strong professional ability. The city party committee has laid down the policy of "building a foothold in Shenzhen, strengthening ties, turning its attention abroad, and expanding exports," and has tried hard to bring about the adjustment of the industrial structure and product mix, and a change in management styles and tactics, thereby initially forming the structure of an export-oriented economy

in the SEZ. Of the city's 1990 gross industrial output value, export value reached 63.6 percent, and over 1,000 varieties of commodities directly entered international markets. More than 80 trade and production units have been established overseas, and direct maritime trade accounts for over 10 percent.

3. In the course of economic development, the SEZ has strengthened the party's self-development and enhanced the close integration of party development with economic construction. The city party committee stipulated comprehensive assessment standards that combine economic work with party building, established the double contract responsibility system for both party affairs work and vocational work, extensively promoted the practices of "double assigning" of tasks, "double inspection" of conditions, and "double assessment" of practical achievements, and placed the fulfillment of party building work and the accomplishment of economic quotas in an equally important position. No rigid uniformity is required for the establishment of departments and appointment of personnel, and party and administrative posts may be held concurrently by one person or separately by two. If the "concurrent system" is adopted, a full-time deputy party secretary must be appointed to take charge of party affairs to ensure, in terms of structure, that leading cadres attach importance to grasping work with both hands. It has enabled ideological and political work to merge with administrative and economic work to create a combined force and to better guarantee and promote the role of ideological and political work.

After more than a decade of work, party organizations at all levels in Shenzhen city have led people in the SEZ to enormous achievements in economic construction. Compared with 1979, before the SEZ was set up, 1991 gross domestic output value reached 17.446 billion yuan, with an annual average increase of 45.4 percent. The city's industrial output value reached 25.52 billion yuan with annual average increase of 65.5 percent. Its national income reached 12.757 billion yuan with annual average increase of 44 percent. Its gross export trade value was \$3.446 billion with an annual average increase of 63.7 percent. There is also major growth in the annual per capita wages of staff workers and the annual per capita income of peasants. People's material and cultural life has attained the relatively well-off standard ahead of time. Shenzhen's rapid economic development has exceeded the fastest economic growth achieved by Asia's "four little tigers" in the 1970's. Now, Shenzhen not only has no mass exodus of personnel as in the past, but more than 3,000 of those who had gone abroad have returned from Hong Kong to take up residence. Some Hong Kong girls have even come to marry Shenzhen's young men. Shenzhen's enormous economic achievements have both manifested the superiority of socialism and further consolidated and developed the material base of the socialist system.

Persist in Placing Ideological Building at the Primary Position, and Arm Party Members With Marxism-Leninism-Mao Zedong Thought

Shenzhen's unique position has brought difficulties and complications in the strengthening of the party's ideological building. On the one hand, in opening up to the outside world, the city party committee has upheld the policy of "introducing some and boycotting others," and "rejecting the dirt but not the outside." On the other hand, it has devoted major efforts to stepping up ideological and theoretical education among party members and cadres and formulated cadre training programs. It has strengthened the building of party schools at all levels, and perfected cadre training and assessment systems of all kinds and at all levels, making cadres' theoretical standards one of the important criteria for their evaluation and assignment. It has also stipulated that leaders of district and county party committees and group companies, as well as government cadres above departmental level, should not be promoted and appointed if they have not been trained at party schools. Since the setting up of the SEZ, the city has run more than 4,500 training sessions in various forms for over 240,000 people. Among them, the party school of the city party committee has run 110 regular education and training classes on Marxist-Leninist theory, and more than 4,760 cadres above the departmental level have attended classes on various occasions. In accordance with the situation and tasks in various periods, relevant departments of the city party committee have also held timely lectures and seminars on special subjects. In the course of stepping up education of party members and cadres on Marxist theory, the city party committee has handled four issues in particular:

1. The SEZ has filled the minds of party members and cadres with the scientific theory of Marxism on socialist society to strengthen their socialist conviction and position. In 1986, the city party committee made a firm and prompt decision to halt the publication of SHENZHEN QINGNIAN BAO [SHENZHEN YOUTH NEWS] and TEQU GONGREN BAO [SPECIAL ZONE WORKERS' NEWS] which advocated views of bourgeois liberalization. It earnestly organized party members and cadres to study socialist theory, presented to them the great changes that reform and opening up had brought to the Shenzhen SEZ, and reasoned that only by taking the road of building socialism with Chinese characteristics can we develop China, and we helped them to see the historic trend of socialist development, thus strengthening the conscientiousness of the vast numbers of party members and cadres in upholding the four cardinal principles and opposing bourgeois liberalization. By studying Marxist-Leninist theory and conducting on-the-spot inspections in Hong Kong and foreign countries, and with the economic development in the SEZ, party members, cadres, and the masses have deepened their understanding of socialism, and have seen the great responsibility and glorious task of building the SEZ well.

2. The committee educated party members and cadres in Marxist theory on the commodity economy to enable them to correctly understand the dual nature of the commodity economy and to resist and overcome the mentality of money worship. The city party committee has devoted enormous efforts to helping party members and cadres grasp the Marxist theory on the commodity economy. The major method was to encourage party members and cadres to apply Marxist dialectical methods in correctly analyzing the pros and cons of the commodity economy, go after the benefits and avoid the harmful aspects, devote great efforts to giving play to the positive role of the commodity economy and, at the same time, cautiously and prudently overcome the negative effects brought by the commodity economy. It also stepped up education on ideals and morality, and unified the people's ideologies and actions with the common ideal of building a socialist SEZ and "realizing the four modernizations and revitalizing the Chinese nation." It promoted professional ethics, paid attention to civilization and straightened out management ideology, opposed the wrong practices of benefiting oneself at the expense of others and the public and resorting to deception. We have stepped up administration, law, and discipline. Both enterprises and individuals should have an understanding of the overall situation, policies, laws and discipline, implement policies, abide by discipline, and do things in accordance with the law. Through such work, we should enable party members and cadres to establish the new idea of developing a commodity economy and enhance their ability to resist the negative influences of the commodity economy.

3. The committee educated party members and cadres on the Marxist outlook on life and values so that they could overcome the tendency to seek pleasure and individualism, and could firmly establish the ideology of serving the people wholeheartedly. With the development of the commodity economy in the SEZ, some party members and cadres have indeed developed the wrong idea of seeking pleasure and individual supremacy. In light of the problem, the city party committee has urged party organizations at all levels to arm party members and cadres with Marxist values and outlook on life, and conform their words and actions to the norm, and correctly handle relations between the individual and the whole, between the part and the whole, and between immediate and long-term interests. Party interests should never be violated. Many party members and cadres have understood that Communist Party members should at no time forget the party's ultimate goal and should be faithful to and willing to sacrifice for the people. After becoming affluent, one should not indulge in seeking pleasure but continue plain living and hard work and do everything industriously and economically in order to develop the socialist SEZ well.

4. The committee has educated party members and cadres on the basic Marxist view on reform and opening up to arouse their spirit of exploring and blazing new trails. As the vanguard force in reform and opening up,

Shenzhen has encountered many new situations and problems in practice. The city party committee stresses that party members and cadres should uphold the socialist orientation in reform and opening up, boldly explore and blaze new trails, dare to take the path which previous generations never set foot on, and make efforts to explore ways to develop the productive forces under socialism faster and with better results than under capitalism. Good international experiences in developing the economy should be absorbed, digested and renovated to give full play to Shenzhen's role as an experimental base for reform.

Develop the Cadre Contingent and Train a Cadre Contingent Loyal to Marxism

To train a contingent of cadres who are loyal to Marxism is the key to strengthening party building. There were a total of more than 80,000 cadres of all kinds in Shenzhen by the end of 1990, plus cadres stationed in Shenzhen from the various ministries and commissions of the central government and various localities from across the country, the total is more than 120,000 people. The majority of them converge on Shenzhen from all quarters, bringing with them different special skills as well as different ideologies. The unique situation in Shenzhen makes it possible to foster a contingent of cadres who are able to both uphold socialism and deal with the capitalist world. It may also destroy those in the cadre's contingent who are weak in their revolutionary will. Based on this understanding, the city party committee points out sharply that while it welcomes capitalists from abroad and outside the country to come and invest in the special zone, it will never allow capitalists to emerge from our contingent. The city party committee has required cadres, particularly leading cadres of party and government at all levels to have both the principled stand of being loyal to Marxism and to have firm socialist convictions, and a correct understanding of capitalism and a stronger ability to resist decadent bourgeois ideologies. They should not only have a strong sense of political responsibility for daring to act as the vanguard force in building socialism with Chinese characteristics and be bold in exploring and blazing new trails, but also a scientific attitude of seeking truth from facts as well as a high level of ideology and a high understanding of policy. They should not only be able to implement the party's line, principles, and policies, and abide by discipline and law, but also be good at dealing with foreign investors, and have the ability to handle well relations between principles and flexibility in foreign economic activities. They should not only uphold the aim of serving the people wholeheartedly and remaining clean and honest in performing their official duties, but also actively gain professional proficiency, have a strong professional ability and achieve concrete accomplishments in work. It has educated cadres to handle well several relationships in foreign economic activities: The first is the relationship between method and position. In dealing with capitalism, we should not adopt the practice of the past closed period. But, while the method changes, our stand

remains unchanged. The second is the relationship between means and end. The introduction of foreign investment is a means and not an end. The end is to develop a socialist commodity economy and realize our country's socialist modernization. The third is the relationship between taking as reference and boycotting. We should absorb foreign advanced technologies, management expertise, and excellent cultural achievements, but firmly boycott decadent things from capitalist society. The fourth is the relationship between cooperation and struggle. We should give full cooperation to foreign investors in developing the economy and trade but must carry out struggle on a just ground, in an advantageous way and stop breaches of laws, contracts, and agreements by foreign investors in order to safeguard state interests and those of the vast number of staff workers.

In order to do a good job in developing the contingent of cadres, the city party committee has also reformed the personnel system for cadres and adopted some new measures. In selecting and appointing cadres, it upholds the principle of selecting the superior and eliminating the inferior and of both promoting and demoting cadres. It has also boldly introduced a competitive mechanism and adopted the practice of combining election with appointment and assessment with inspection in selecting leading cadres. Since the Shekou Industrial Zone Administration Committee first experimented with the system of election and appointment, the city party committee and city government have extensively promoted the system of election and appointment in enterprises. In the course of election and appointment, the barriers between cadres and workers are torn down, with some workers who have high political consciousness and proficiency being promoted to be managers. In cadre administration, the city party committee has consistently upheld the principle of the party administering cadres. Since 1989, in response to instructions from the CPC Central Committee, the city party committee has organized examination of cadres above the departmental level in the whole city, and readjusted and consolidated some leading groups. After the convening of Shenzhen city's first party congress and people's congress in 1990, it also organized an overall examination of leading groups in departments, commissions, offices, and bureaus of both party and government organizations, as well as enterprises and institutions at the bureau level, and readjusted and reappointed members in the leading groups. It has also unequivocally pointed out that in appointing and dismissing medium-level cadres in enterprises, it is necessary to safeguard the rights bestowed to managers (factory directors) by the "Enterprise Law" and implement well the party's principle of democratic centralization. In order to strengthen administration over the entire cadre contingent, it has set up one after another the systems of cadre examination and appointment, of avoiding appointing relatives and close friends of cadres in the same department, and of retirement, and helped promote the institutionalization of the personnel work for cadres. In combination with the experiment of the civil servants system, the city personnel department has

designed an annual examination plan of government office workers to reach a fair and objective appraisal of cadres' ethics, ability, diligence, and achievements through self-appraisal, examination, and assessment by leaders, and appraisal by the masses. This has effectively consolidated the building of the contingent of cadres.

Strictly Administer the Party, and Unswervingly Carry Out the Anti-Corruption Struggle To Maintain the Purity of Party Organizations

In light of the special environment and conditions of the SEZ, the Shenzhen City Party Committee has adopted measures and seriously carried out a struggle against corruption.

1. It has carried out anti-corruption education, analyzed negative examples, and promoted examples of models so as to strengthen the ability of party members and cadres to resist corruption. Looking at some of the negative examples, cadres corruption and degeneration normally go through a process of gradual change. The common characteristics are attention only to making money and not to political orientation; attention only to seeking pleasure and not to making contributions; attention to individualism and not to the concept of the party; and attention to power and not supervision. Upholding the principle of "taking education and prevention as the main remedy," the city party committee has constantly conducted education among party members on the need to uphold the four cardinal principles and oppose bourgeois liberalization by holding various study classes on special subjects, large-scale exhibitions and on-the-spot analysis meetings; to oppose abuses of power for personal gain and maintain honesty; and to oppose corrosion by decadent bourgeois ideologies; strengthen party spirit; and maintain the purity of communists, as well as education on ideals, goals and ethics. At the same time, it has propagated in various forms the deeds of excellent party members and advanced party organizations who are honest in performing their official duties, and build enterprises through arduous efforts, and bold to innovate. It has also popularized in good time the experiences in party style and clean government building. Thus, it has effectively promoted healthy trends, enhanced the sense of vast numbers of party members and cadres on party discipline, government discipline and the laws and their abilities to resist corruption, and strengthened the building of ideological style of leading groups at all levels.

2. It has persisted in struggling against all kinds of corrupt phenomena, and strictly punish corrupt elements. The city party committee and city government launched an anti-embezzlement and anti-bribery struggle from 1982 to 1987. In 1988, the city launched another struggle against embezzlement and bribery on a grand scale. With the capital construction and financial trades as the breakthrough point, it constantly increased its victories in the battle and created great deterrent forces. Since March of 1989, the city party committee

has focused on the problem of abusing power in order to gain access to housing. It has persisted in strictly punishing corrupt and degenerate elements. Anyone who visited brothels and prostitutes was expelled from the party without any exception.

3. It set up and perfected supervision mechanisms both inside and outside the party. In stepping up intra-party supervision, the city party committee and the city discipline inspection commission formulated "Opinions on Stepping up Intra-Party Supervision over Leading Cadres Who Are Party Members," clearly defining the content, scope, methods, and measures of disciplinary supervision over leading cadres who are party members. They have also attached importance to handling letters and visits from party members and the masses to obtain information on discipline violations by party members. They have constantly carried out inspections of party discipline and party style, and instituted party style and discipline inspection cards on leading cadres above the bureau level. In stepping up mass supervision and supervision by public opinion, the city party committee issued one after another "Decisions on Further Promoting the 'Open Handling of Business and Mass Supervision'" and "Circular on Open Supervision of the Building of Private Houses and Interior Decoration by Party and Government Cadres," and publicized at regular intervals details on housing, wages, bonuses, telephone fees, and car fuel consumption by leaders of the city party committee and city government. The housing conditions of leading cadres above the departmental level in more than 180 units were also made public for the supervision of organizations and the masses. The city party committee has also set up a system of setting aside a day for receiving visitors from among the masses and a mayor's special telephone line. A mayor's mailbox has also been set up in the city to receive criticisms and proposals from the masses. At the same time, newspapers, television, and radio were utilized to expose and criticize corruption to facilitate supervision by public opinions. In bringing into play the functions of law enforcement departments, such as public security organs, procuratorial organs, and people's courts, Shenzhen has firmly grasped the legislation and strict enforcement of laws, and in accordance with the actual conditions in the SEZ and the limit of authority of the government, promulgated relevant rules and regulations, and strictly implemented relevant laws including the administrative procedural law. Shenzhen was also the first to set up a reporting center on economic crimes, and joint meetings between law-enforcement departments and supervision departments are held periodically. Through the above-mentioned supervisory activities both inside and outside party, Shenzhen has gradually established various supervisory mechanisms that have played an active role in the anti-corruption struggle. Through the anti-corruption struggle, a group of cadres has been redeemed. The struggle has not only purified party organizations but has also tested party members and cadres, and ensured the health of the party.

Biographical Data on Chen Yuan, Family

92CM0329A Hong Kong TANG TAI
[CONTEMPORARY] in Chinese
No 263, 18 May 92 p 34

[Article by Li Ku-ch'eng (2621 4474 1004): "Introducing Members of the Party of Princes—the Highly Visible Chen Yuan, Chen Yun's Eldest Son"]

[Text] Recently, Chen Yuan, Chen Yun's firstborn son, was in Hong Kong attending the Asian Development Bank's annual meeting in his capacity as vice president of the People's Bank of China. The people of Hong Kong watched him with great interest. He attracted even more attention than his boss, Li Guixian [2621 6311 7639], president of the bank. The reason is simple: Everybody wants to know more about this man whom foreign media have dubbed leader of the "Party of Princes." They want to know what he has in mind for the country, whether he will follow in the footsteps of his father—known to be the most staunch backer of the conservative faction—to become the head of the neo-conservative faction.

Chen Yuan is Chen Yun's firstborn son. Chen Yun and Yu Ruomu [0060 5387 2606] have two sons and three daughters. Their elder daughter Chen Weili [7115 0251 0500], elder son Chen Yuan, younger daughter Chen Weihua [7115 0251 5478], and younger son Chen Fang [7115 2455] (also called Chen Zhongying [7115 0112 5391]) have all begun to show abilities of their own.

Their elder daughter Chen Weili (also called Weili [5898 5461]) was born in 1944. She graduated from the University of Science and Technology with a degree in Physics in 1967, and upon graduation, she was assigned to the State Science and Technology Commission to work on energy resource planning and forecast. In 1984, through personal connections with an American Chinese, she went abroad to further her studies at Stanford University in California. She returned to China in early 1987 and managed to "raise" \$27 million through the State Science and Technology Commission to start the China Venturetech Investment Corp., which specializes in high-tech investments. She is married to Cao Jinsheng [2580 3160 3932], and their only daughter, Chen Qian [7115 5409] (born in 1971) also attended school in California.

Chen Yun's elder son Chen Yuan was born in 1945. He graduated from Beijing's Qinghua University with a degree in Automation in 1970 and was subsequently assigned to work in the Ministry of Astronautics Industry's No. 3 Institute as a technician. In 1975, he joined the Communist Party. In 1981, he graduated from CASS's Graduate School of Economics and received a Master's Degree in Economics. Subsequently, he worked as an engineer in CASS and then in the State Planning Commission and became deputy secretary and then secretary of the CPC Beijing Xicheng District Party Committee and later became member of the Beijing Municipal Party Committee, head of the Department of Commerce and Trade, and finally deputy chairman of

the Beijing Municipal Committee on Restructuring the Economic System. In 1988, he was named vice president of People's Bank of China. He surrounded himself with a group of young graduate students in the master's degree program and formulated a "New Theory on Economic Centralization," advocating strengthening the centralization of state power. His economic theory is diametrically opposed to the policies of streamlining of government and devolution of power, mobilization of local enthusiasm, and economic improvements being practiced in mainland China in the last decade or so, and that is why it has attracted world attention. When Chen Yuan's sister was working in the Young Cadre Department of the Beijing Municipal Party Committee Organization Department, she rounded up many young talented people for Chen Yuan, and today, these people make up the mainstay that supports him. They carry out their activities under the name of "Beijing Xicheng District Economic Research Association" and others. Chen Yuan's wife is a physician; they have two sons.

Chen Yun's younger daughter Chen Weihua was born in 1959. She entered Beijing Normal University's History Department in 1977. Upon graduation, she was assigned to teach in a middle school, and today, she is deputy director in a certain department inside the CPC Organization Department, dealing with top-level personnel matters.

Chen Yun's younger son Chen Fang went abroad at state expense in early 1986 and attended college in Boston in the United States. Upon his return, he managed the Beijing Arts and Crafts Corporation for a time.

**Training Needs of Young, Middle-Age Cadres
Viewed**

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23 Jun 92 pp 1, 2

[Article by Yan Guoqing (7051 0948 1987): "Foster Young, Middle-Aged Cadres With Both Political Integrity and Ability"]

[Text] The party's basic line in the new historic period is: "Focus on economic construction, uphold the four cardinal principles and adhere to reform and opening up." So long as we uphold this basic line for 100 years without vacillation and seize the opportunity to develop China's economy, we will be able to maintain long-term stability. In a sense, the key to fulfilling this central task lies in mankind and in training revolutionary successors who are more revolutionary, younger in average age, better educated, and professionally competent, and who have both political integrity and ability. To fulfill the great strategic task of bringing up and training reliable successors to the proletarian revolutionary cause, cadre departments and party organizations at all levels should adopt forceful measures in various aspects.

I. Correctly Understand Qualities of Contemporary Young, Middle-Aged Cadres

With the development of socialism with Chinese characteristics since the Third Plenary Session of the 11th CPC Central Committee, young and middle-aged cadres, who have been educated and trained by party organizations at all levels, have made marked progress. Most of them have become essential personnel in work and have gradually taken up leading posts at all levels. Their qualities on the whole are good. They have played the role of a vital force in the implementation of the party's basic line and in the great practice of building socialism with Chinese characteristics; thus they are trustworthy. The cadres who are now around 40 have particularly tempered themselves by working in the countryside and mountain areas. Some of them have been workers and servicemen, so they know about the workers, peasants, and China's national conditions. Thanks to the unremitting efforts made in self-study and in training offered by the organizations, they have attained a relatively high level of science, technology, and education, as well as the pioneering spirit of forging ahead. Hence, they are the nucleus of the ranks of China's young and middle-aged cadres.

As this generation of young and middle-aged cadres have grown up during the period of peaceful construction, they do not have the experiences of the revolutionary wars and the old society. However, the party's education and the state's development in the 1950's have lain a solid foundation for the shaping of their world outlook. Herein lies the reason that they could enthusiastically plunge themselves into practice in the rural areas, production and construction corps, factories, and army units even after experiencing the turmoil of the early period of the "Great Cultural Revolution." Although this generation of people have not completed the regular education, social practice has enabled them to cherish a deep affection for the workers and peasants, foster the spirit of plain living and hard struggle, and increase their capacity to bear harsh conditions. Contemporary young people lack these basic qualities. For this reason, it is reasonable for many veteran cadres of the party and a number of sociologists to say that the generation of people who are around 40, the same age as the republic, will be the generation to inherit the past and usher in the future.

Naturally, this generation of people also have marked shortcomings, on the whole. Compared with the veteran cadres, their Marxist theoretical accomplishments derive more from books and they lack solidifying of practice and of temperament. The leftist mistakes since the founding of the PRC, in particular, the ultra-leftist tendencies of the "Great Cultural Revolution", exerted a direct influence on their thinking. In the course of eliminating the "leftist" influence, the fostering of their solid spirit and practical work style will easily play down their awareness of political considerations. Some of them will regard working at the grass-roots levels and social practice as a burden, unaware of the necessity of

going deep into the reality of life. These deficiencies reflect, to a certain extent, the period of their growth. These shortcomings can be overcome since they are not deep-rooted. The key lies in education, guidance, training, and boldly appointing them. This is a generation of cadres, particularly those under the age of 50, that will extend beyond this century. Their qualities are related to the success or failure of China's modernization program, to the rise or fall of the party and state, and to the future and destiny of socialist China. For this reason, it is a pressing task of the party organizations at all levels that are responsible for training reliable successors to objectively analyze the background and growth of young and middle-aged cadres, scientifically deal with the natural laws of the new substituting the old, promoting the outstanding elements to the front line, and fostering and upgrading their qualities.

II. Strengthen Training and Selection of Young, Middle-Aged Cadres

Comrade Deng Xiaoping pointed out: "If there is a problem in China, it would crop up from within the Communist Party. We should be sober on this issue, take note of training people, and select to the leading bodies those who have both political integrity and ability in accordance with the requirement for personnel that are 'more revolutionary, younger in average age, better educated, and professionally competent.'" This is a major issue tied to whether we can maintain the long-term stability of socialism with Chinese characteristics and effectively resist the peaceful evolution waged by the imperialists. Therefore, strengthening the training and selection of the ranks of young and middle-aged cadres is a matter of strategic significance. With the viewpoint of building the ranks of cadres, we should take note of the following:

First, it is necessary to strengthen theoretical education among young and middle-aged cadres. Marxism is "the crystallization of the most correct and revolutionary scientific thinking of the world's proletariat." (*Selected Works of Mao Zedong*, second edition, volume 3, p 1,093) It is the guide by which we are to realize and remodel the world. Comrade Deng Xiaoping once explicitly pointed out that only by mastering the basic Marxist tenets can we increase our skills in applying the basic principles and methods to vigorously explore and resolve new political, economic, social, and cultural problems; promote our cause and Marxist theory; and prevent some comrades, particularly the newly promoted young and middle-aged comrades, from getting lost in the complicated struggle (*Building Socialism With Chinese Characteristics*, enlarged edition, p 127). Historical experience shows that political problems usually derive from ideological confusion. Many veteran cadres could remain faithful to the party's cause during the war years and the peaceful environment because of their profound Marxist theoretical accomplishment and firm faith in socialism. To be good successors, the primary task of the

young and middle-aged cadres is to start by laying a solid foundation in Marxist theory and to improve their political qualities.

How should we lay a solid Marxist theoretical foundation? This cannot be attained merely by reading a few books. "To master Marxism and Leninism," the key lies in understanding Marxist basic tenets, realizing the true essence, and particularly mastering the ideological line of seeking truth from facts. Meanwhile, we should be good at applying Marxist stands, viewpoints, and methods to guide and explore the practice of building socialism with Chinese characteristics and to increase our capacity to resolve practical problems.

Second, going to the front of the fiery struggle is the only way for tempering and improving the qualities of young and middle-aged cadres. The practice of fiery struggles is a "big school and furnace." The proletarian revolutionaries of the elder generation could have a firm faith and the overall qualities of political integrity and ability because they were tempered in the practice of arduous struggles under long-term party nurture and education. To enable the young and middle-aged cadres to become mature politically and professionally as quickly as possible, it is necessary to let them temper themselves at the grass-roots levels and in the thick of struggles.

In recent years, our party has adopted a series of measures to strengthen the practical links of training young and middle-aged cadres, such as exchanges between regions and departments, change of posts, in-service training, and other forms, which offer young and middle-aged cadres an opportunity to temper themselves in practice. Through practice, we should educate young and middle-aged cadres to prevent and overcome the unhealthy practices and style of standing aloof among the masses, being divorced from practice, looking down upon the people, considering themselves always right, pursuing and seeking comfort, reaching for things beyond their reach, and not doing solid work. We should prevent and overcome the mentality of "getting gilded," earnestly take the road of tempering themselves through harsh conditions, draw sustenance from the basic levels, be more familiar with society and national conditions, enhance their sense of the masses, enhance their affection for the party and socialism, and foster a practical and realistic work style. Facts have proved that integration with practice is an effective way to train young and middle-aged cadres.

We should be aware that the measures adopted in this regard are yet to be improved and coordinated. In a sense, they are still fragmented, covering a limited field. We should regard bringing up and selecting young and middle-aged cadres as a systematic project and establish an assembly line in cooperation with various fields. On the one hand, it is necessary to adopt a set of systems and standard measures that can help train and improve the Marxist theoretical qualities and professional knowledge of young and middle-aged cadres; and on the other hand, it is necessary to establish a benign circulation system for

allowing the best to survive and for selecting, promoting, and exchanging cadres so that every young or middle-aged cadre can have an opportunity to receive advanced training, temper himself in practice, increase his talent, and withstand tests. In this way, we can gradually establish an effective and steady mechanism in practice for training successors and constantly improve it.

Third, comprehensively implement the principle of "four requirements." Having both political integrity and ability is the consistent policy of our party in selecting and appointing cadres. In the new historical course of the socialist modernization program, the CPC Central Committee set forth the requirements of making the ranks of cadres more revolutionary, younger in average age, better educated, and professionally competent, with the stress on being more revolutionary. Practice has proved that implementation of the "four requirements" is the correct way for selecting and appointing cadres in the new period. The understanding and practices of substituting any one requirement for the other three or vice versa do not conform to the principle of having both political integrity and ability.

The bitter lessons of the evolution in the USSR and Eastern Europe tell us that if successors are rightly chosen, we shall have someone to carry forward our revolutionary cause, which will become prosperous; otherwise, we will find ourselves with a grave-digger of the revolution, and the red banner will inevitably fall with the death of the party and the state. Against this we should never lower our guard. In his remarks made early this year, Comrade Deng Xiaoping pointed out that the party's basic line should hold sway in the next 100 years, that we should adhere to this line, and that the key lies in men in a certain sense. "Now we should select those persons whom the people have openly acknowledged to be adhering to the line of reform and opening up with accomplishments in their work, and boldly place them in leading organs so that the people will see that we are pursuing reform and opening in all sincerity." That is a work principle that our organizational departments and cadre work must follow in grasping the criteria for the "four modernizations" in a comprehensive way, resolutely implementing the party's basic line as well as the basic starting point for us to concretely test, judge, select, and promote cadres. When we test and judge a cadre's "political integrity," we should not be confined to judging him by a single act or a short period of his life; we should pay attention to judging his political manifestation at a critical juncture as well as his persistent political stand and tendencies. It is necessary to conduct our test and judgment through leading comrades at a higher level, while acquiring multi-tiered understanding from various angles through leadership at the same level and his subordinates. Judgment of a cadre's work must be based on truth-seeking analysis. We should view the degree of changes in the features of the related locality or unit, while taking into account its original foundation, objective environment and conditions; we should view the degree of his subjective efforts, while taking into

account whether or not his actions comply with the central principle for administration, and are helpful to the whole situation; we should view his role and concrete accomplishments in major work, while differentiating them from the efficiency of the whole and accomplishments of the leading body in such work. In judging the ideological style of a cadre, it is especially necessary to judge his ideology through all speech and behavior; by no means should we select and promote some people to important posts such as those who abuse power and are morally degenerate; who worship, yearn for capitalism and cling to bourgeois liberalization; who trim the sails on important issues of principle, with ambiguous political attitudes; who are in disunity with the party, do not do any substantial work, sow dissension and cause trouble in solidarity everywhere; who lack democratic style, are used to one-man's say, cannot take different opinions and unite a body of people to work together; and who have a craze for "officialdom," ask for higher official positions from the organization, and are busy lobbying for important posts. In a nutshell, only by strictly abiding by the criterion of having both political integrity and ability will it be possible to be correct in selecting and promoting cadres and insure that leadership at all levels is grasped in the hands of people who are loyal to Marxism; only then will it be possible to play the active role of guiding and promoting the healthy growth of the broad young and middle-aged cadres and the entire younger generation, and make our socialist modernization develop vigorously under the guidance of the party's basic line.

III. Work Hard To Establish Flesh-and-Blood Ties Between the Party and Young, Middle-Aged Cadres

Young and middle-aged cadres are our party's assets; but to genuinely win them over, unite them to the maximum, and turn them into successors loyal to the Marxist party cause involves voluminous arduous, meticulous work.

As a particular group, young and middle-aged cadres have their physical and mental characteristics, and are all for to-the-point training and education as well as emotional communication and understanding. This being the case, while hearing the voices of the broad masses, and setting strict requirements on them, our party should also heed their aspirations and demands, help them resolve their practical problems in study, life, and work, and create a lively environment for their growth. Especially important is the requirement for leadership of the older generation to befriend young and middle-aged cadres to communicate their thinking in the course of establishing friendly ties, while igniting the fiery enthusiasm hidden in the hearts of young and middle-aged cadres through two-way communications. In this way, the fine tradition and rich practical experiences of the older generation will play the role of imperceptible influence on young people, thus emotional ties between the party and young and middle-aged cadres will also be intensified.

Our party's great cause of building socialism with Chinese characteristics has great attraction among young and middle-aged cadres. It is necessary for us to link the bringing up and education of young and middle-aged cadres to giving play to their role, and provide an arena for young and middle-aged cadres of all fronts and areas to make contributions. They should be boldly employed and given a free hand in their work. Regarding work done inappropriately, we should give them help enthusiastically, while strengthening their training so that they may deeply experience that the progress in their growth is precisely one of participation in building, and the best time for their pioneering work, thus merging themselves with the party's cause. In this way, an inherent inseparable tie between the party and young and middle-aged cadres will take shape; only then, will a situation by which a connecting link between the preceding and the following take shape.

In short, it is imperative for us to bring up a generation of young and middle-aged cadres on the basis of having faith in them, and win them over in the course of their being brought up. To win over the generation of the young and middle-aged means winning China's future, and the revolutionary cause initiated by proletarian revolutionaries of the older generation will pass on from generation to generation. We must grasp well the cultivation and education of young and middle-aged cadres in the spirit of being responsible for the fate of China's socialist cause in the next 10 years and even the next century. This is a vital and lasting project of the proletarian revolutionary cause. When a good job is done in this work, the socialist red banner will pass on generation after generation, and the future of our party and socialist China will inevitably full of hope.

Story of Deng Pufang, Kanghua Company

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[Article by Ho Pin (0149 7340) and Kao Hsin (7559 2450): "'China's Crown Prince'—Deng Pufang." This article is a reprint from a chapter in a book by the two authors entitled *Zhonggong 'Taizidang'* (The CPC's 'Party of Princes')]

[Text] China's political tragedy is intertwined with personal misfortune to create a complex man, Deng Pufang—"China's crown prince." His efforts on behalf of the mainland's handicapped and his achievements deserve our respect, but his Kanghua [Company] which has engaged in all sorts of "official profiteering" has been cursed by all. He cannot personally command the wind and the clouds—wield power—in China's political arena, but he has made humanitarianism one of the basic thoughts of socialism and the basis for developing China's spiritual civilization, and this is a breakthrough.

Mainland China's current supreme ruler Deng Xiaoping has been married three times. He and his first wife,

Zhang Qianyuan [1728 5409 0337], were married in Shanghai in 1927. Not long after, she died in childbirth. Zhang's sister Zhang Xiaomei [1728 2556 2734] later married Xu Bing [1776 0390], one time head of the CPCCC United Front Work Department. Deng's second wife, Jin Weiying [6855 4850 2503], was born in 1904, the same year as Deng. She was formerly called Jin Aiqing [6855 1947 0615] and was a native of Zhejiang's Daishan. She graduated from Ningbo's Woman's Normal School and later taught school in Dinghai County No. 1 Girls' Elementary School and Kindergarten. In 1926, she secretly joined the Communist Party in her hometown and became a member of the CPC Dinghai Leading Group. She once headed the Salters' Association in her hometown and organized, and mobilized the salters against the salt tyrants and earned the title "Heroine of Dinghai."

Jin Weiying was imprisoned by the KMT in 1927 and again in 1930 in Shanghai's British concession. In 1931, she arrived in the CPC base in Jiangxi, successively became CPC party secretary in Yudu County and in Shenghe County. She was the CPC's first female county party committee secretary.

In 1932, Jin Weiying and Deng Xiaoping were married. A little more than a year later, Deng Xiaoping was purged for his right-opportunist line. Jin Weiying even stood up to expose Deng's "serious crimes" at the "expose and criticize" meeting chaired by then chairman of the CPCCC Organization Department, Li Weihan [2621 4850 3352].

Subsequently, Jin Weiying had an affair with Li Weihan and was named director of the Organization Section of the CPCCC Organization Department by Li Weihan, and in 1934, she was appointed member of the executive committee of the central government of the Soviet Republic of China.

Jin refused to share Deng Xiaoping's troubles, and Li Weihan in turn treated her badly. Soon after the Long March to Yan'an, Li Weihan dumped her for someone else.

Perhaps it was because of her hatred for Li Weihan, or perhaps she felt guilty about Deng Xiaoping. Jin later suffered a breakdown, and in 1938, the CPC sent her to the Soviet Union to "convalesce," and she disappeared inside the Soviet Union in 1940.

In 1936, Jin Weiying gave birth to Li Tieying [2621 6993 2530], currently a member of the CPC Politburo and the State Council, in Yanan. Although it has been rumored both at home and abroad that Li Tieying was in fact Deng Xiaoping's son, this allegation cannot be substantiated, at least not by the actual date of birth.

An overseas scholar who for many years has been following Deng Xiaoping's life and thoughts suggests that the speculation that Li Tieying is Deng's son may be based first on the fact that Li Tieying's birth mother was at one time Deng's wife; second, that there is a physical

resemblance between Li Tieying and Deng Xiaoping; and third, Li Tieying is a high-ranking official. So, although Li Tieying's actual birth date may eliminate the possibility that Jin Weiying had been pregnant before she and Li Weihan got married, why did Li Weihan abandon his wife, whom he had to resort to political struggles to win, so soon after the child was born? Besides the fact that he had a "new-found love," could there be another reason? Those among circles of children of high-ranking cadres in Beijing said that in the early days after the founding of the PRC, Li Tieying attended a boarding school in Beijing because he was not loved at home. Was it just because he did not get along with Li Weihan's new wife? Or had Li Weihan viewed him as a burden? Li Weihan has passed away, and the only person who can clarify this matter is Deng Xiaoping himself. But no matter whose son Li Tieying is, Deng Xiaoping would never voluntarily disclose the truth to an outsider.

Today, Deng Xiaoping's long-time companion is Zhuo Lin [0587 3829]. They were married in 1940. Zhuo Lin's given name was Pu Qiongying [3184 3890 5391]. She was born in a wealthy family in Yunan's Xuanwei County in 1916. She attended high school in Kunming and upon graduation enrolled in Beijing Women's Normal University. She graduated the year the war of resistance against Japan broke out. She attended the CPC's War of Resistance Against Japan Military and Political University in Yan'an.

After joining the CPC, she changed her name to Pu Zhuolin [3184 0587 3829] and was still using that name after the founding of the PRC. In the 1970's, she dropped her surname and took the name Zhuo Lin.

Zhuo Lin has never served in a very high office in the CPC. She has always been an upright, honest person, and has never lost the innocence of a well-bred lady. She seldom interferes in her husband's political affairs. According to those who know the Deng family, a special trait of Zhuo Lin is that she likes to sleep, and her children have inherited this trait from her.

Zhuo Lin and Deng Xiaoping have two sons and three daughters. The eldest son, Deng Pufang, was born in the Liu-Deng army barracks in 1944. At that time, Deng Xiaoping asked Liu Bocheng [0491 0130 2110] to name his child, and Liu said that there was a Chinese saying "chun-pu fang-zheng"—honest and righteous—which was most propitious, and Deng liked it. Later, when the younger son was born, Deng Xiaoping named him "Zhi-fang"—righteousness—to pair with "Zhipo"—honesty.

Deng Xiaoping's three daughters were named by Zhuo Lin. Their eldest daughter was born the next year after they were married. It was during the war and the situation was precarious, and 7 days after the baby was born, she was given to a peasant family in the base area behind the enemy lines for rearing. To make it easier to locate her later on, Zhuo Lin named the baby after herself but simplified the character into "Lin" [2651]. Later on, she gave birth to two more daughters and

named one "Nan" [2809] and the other "Rong" [2827], both are names of rare trees in China.

Since at one time Deng Zhifang [6772 6347 2455] used the name "Zifang" [2737 2455], people have discovered that the five Deng children's names are all associated with the character "mu"—wood. Clearly, the names came from the term "gangyi munā"—resolute, steadfast—(according to *Lunyu* [Analects], the term connotes benevolence.) And the introverted and reticent Deng Xiaoping and the forthright and honest, very knowledgeable Zhuo Ling are indeed a resolute and steadfast couple.

Among families of high-ranking CPC cadres, because the parents have experienced the turmoil of political struggles, the children to various degrees have been affected, and few have experienced a normal family life. Although Deng Xiaoping's family had also been torn apart by political storms, Deng Xiaoping and Zhuo Lin have always made every effort to keep their children close and shower them with love. Such relatively stable family life has had a profound psychological effect on their children.

China's Crown Prince—Deng Pufang

Deng Pufang is perhaps the "crown prince" who has attracted the most attention, not only in Mainland China but worldwide. As Deng Xiaoping's eldest son and a paraplegic, he has accomplished undeniable and admirable things for the welfare of the disabled in Mainland China. But the Kanghua Company which he started was at one time cursed by everyone as mainland's "Number One Official Profiteer." He cannot command the wind and the clouds—wield power—directly in China's political arena, but he has recommended and has put in place in key departments many of his friends, and meanwhile, he has kept in close touch with numerous liberal intellectuals.

Beida Campus' "Fat Boy Deng"

In Mainland China in the 1950's, even though Deng Xiaoping was already the CPC general secretary and member of the Politburo, his eldest son Deng Pufang was not getting the kind of attention at the Beijing No. 13 Boys' Middle School that he is getting today. If it were not for his good grades and the fact that he is a member of the school's CYL Organization Committee, few would even know that he was Deng Xiaoping's son.

Ji Peng [3078 7720], who later became a member of the No. 13 Middle School's CYL Organization Committee, recalled that Deng Pufang used to have closely cropped hair and often wore a neither-new-nor-old blue Chinese-style short gown. He rode his old broken-down bike to school, and loved to play basketball.

In 1962, Deng Pufang enrolled in Beijing University's [Beida] Technology and Physics Department, majoring

in nuclear physics. Perhaps because of his influence, his younger brother Deng Zhifang and sister Deng Nan later also majored in physics.

Deng Pufang joined the Communist Party in his junior year in college. He became the secretary of a branch of the CYL in the Department of Technology and Physics. Many children of senior cadres were enrolled in Beida, and usually on the day before a holiday, limousines would line up in front of the campus to take those students home. But Deng Pufang would be riding his old bike from his high-school days. Usually he left his bike on campus and anyone who wanted to could ride it. Many students who came from the villages learned to ride using his bike, and it was often banged-up, but Deng Pufang did not mind, and he always did his own repair work.

It is the impression of his fellow students that Deng Pufang got along well with others. College classmates called him "Fat Boy Deng." He wore simple clothes, and at mealtime, he would bring his lunchbox to the canteen like everybody else. Adding that he had a crew cut, he looked even more like the son of a peasant family. When his fellow classmates had a problem, he was always ready to help. One time, a classmate's hometown friend came to the dorm because he had lost his wallet in Beijing and did not have money to buy a ticket home. He needed to borrow 20-30 yuan from this classmate but this student was dependent on his brother to send 20 yuan a month from home to live on, and meals alone cost 15 yuan a month. Where would he get the spare money? When Deng Pufang heard about it, he immediately rode his bike home and came back with 30 yuan and solved his classmate's friend's urgent problem.

When the "Cultural Revolution" first began, unlike He Long's [6320 7893] son He Pengfei [6320 7720 7378] or Liu Shaoqi's daughter Liu Yuan [0491 3291] and others at Qinghua University, Deng Pufang did not become man of the hour. He belonged more to the leisurely faction. Although at one time he was elected deputy leader of the Cultural Revolution Small Group in the department, he played no active part. Once, 29 children of high-ranking cadres at Beida wrote a big character poster and asked him to sign his name. He tactfully refused. He even sought out his sister Deng Nan who was in the same department and told her, "Don't sign anything. If we want to express our opinion, we can write our own big character poster. There is no need to join the other children of high-ranking cadres."

When Deng Xiaoping was named and personally criticized, Deng Pufang's classmates did not alienate him because of that; they never talked about his father in front of him. From this, one can see that he was respected by his classmates.

However, by March and April of 1968, Deng Pufang was criticized, denounced, and imprisoned by the rebellious faction. Some people said that the rebels threw him from the fourth floor, which crippled him; some people said

that he tried to commit suicide. The real story is that the Red Army locked him in a laboratory badly contaminated by radioactive materials and even sealed the door. Deng Pufang knew that if he remained in that room too long, he would no doubt die, and so in a moment of desperation, he pushed open the fourth-floor window and tried to climb down the gutter to escape. Unfortunately, he fell from a height of 8 meters and seriously hurt his spine. This fall would change his life forever.

He Stayed Alive by Weaving Wastepaper Baskets

At that time, Deng Xiaoping was still in Beijing, and Deng Pufang was lucky enough to be sent to Beijing's famous 301 Hospital—a hospital for high-ranking cadres. But before long, Lin Biao sent a "top-priority order," and even Deng Xiaoping was barred from visiting his son in the hospital.

Even then, Beida's PLA Mao Zedong Thought Propaganda Brigade would not spare Deng Pufang. They kicked him out of the hospital and sent him to the very backward Qinghe Public Charity Institution in suburban Beijing. There, a thin and bony, trembling old man in his 80's was the only nurse, and he was assisted by a slightly mentally-disturbed young man who did odd jobs.

Deng Pufang recalled, "when we entered the room, the smell of urine and feces brought tears to my eyes. The filthy beddings had been in use for months. There were 11 disabled people in a room, and in the winter, we had no heat, only a small coal-burning stove which burnt out in just a short time."

The room was like a ice cave. The blanket was very thin, and often Deng Pufang would be wakened by the cold. His lower body was paralyzed, but his hands were still active and strong. Each day, clenching his teeth, he would work with the others to weave wire into wastepaper baskets. Each basket bottom would earn him 1 fen and each basket would bring 4 fen. He worked as hard as he could, but still he could earn no more than 4-5 yuan a month.

Although his income was meager, the work kept Deng Pufang alive. Each month when he got paid, he would invite some friends and, pushing along in his wheelchair, they would go to Qinghe Town and go to a small restaurant to eat and have some fun.

Whenever the Charity Institution served a meal, the nurse, with his runny nose and all, would hand Deng Pufang half a bowl of cooked cabbage and a blackish steamed roll.

Deng Pufang said that it was the worst time of his life. Because he desperately wanted to get news of his family, especially of his parents, he got up early one morning, while the other inmates were still asleep, and pushed his wheelchair quietly out of the hospital and headed for Beijing. It took him more than 4 hours to cover the more than 20 km distance before getting to Zhongnanhai. He parked his wheelchair across from Zhongnanhai and

stared at the front door which he had once frequented; a thousand thoughts came to his mind. He desperately wanted to find a familiar license plate. He waited for a long time and still no one recognized this man in the wheelchair who used to be one of Zhongnanhai's residents. Although he wanted to wait some more, the sun was setting, and there would be several more hours' "drive" home, and so he sighed and left.

It was Deng Pufang's good fortune that he met a perfect stranger who was eager to help him. This man was Wang Fengwu [3769 7685 1889], a Beijing Foreign Language Printing House worker. Wang Fengwu once put the paralyzed Deng Pufang in a flatbed pushcart and sought medical help for him all over town. He was rejected everywhere, but he never gave up, and eventually a doctor in Beijing's Jishuitan Hospital agreed to treat Deng.

According to an article written by Deng Rong, in 1969, Wang Fengwu and some workers from his plant were stationed in Beida and he was assigned to work in Deng Pufang's department. With his pure sense of righteousness, Wang Fengwu felt very sorry for Deng Pufang and thought that he deserved the kind of humanitarian treatment befitting of the revolution. In the several years that followed, wherever Deng Pufang went, Wang Fengwu would visit him. After Deng Pufang moved to Jiangxi, Wang Fengwu constantly wrote to the authorities to appeal and seek medical help for Deng. But after Deng Xiaoping made his comeback, Wang and his family never asked Deng for anything.

Six months later, Deng Pufang's aunt in Tianjin finally located him, and with the help from Wang Fengwu and others, they begged and begged every high official to release Deng Pufang from the charity institution. They moved him into a small unit in a four unit arrangement with a courtyard in Xuanwumen.

Deng Xiaoping Bathed His Son

One day in early 1969, the CPCCC General Office, through the Jiangxi Provincial "Revolutionary Committee," sought permission from Deng Xiaoping to send Deng Pufang to Jiangxi. Mr. and Mrs. Deng were thrilled when they received this piece of unexpected news.

On June 1 of the same year, two men were sent from Beijing to escort Deng Pufang to Jiangxi to be reunited with his parents with whom he had been separated for 4 years. That evening, Deng Xiaoping and Zhuo Lin were at their son's bedside helping him to take off his filthy smelly clothes. Deng Xiaoping wiped his son's body again and again with a towel and asked him in detail about his condition. Deng Pufang said to his parents, "From the chest down, this body is no longer mine. I have lost all senses down there."

Zhuo Lin and the grandmother broke down and cried, but Deng Xiaoping just stared at his son's body and never uttered a word.

Deng Pufang laid in bed all day. There was nothing he could do for himself. He could not even control his bodily functions. Nancheng is a well-known furnace. It gets very hot in the summer. Deng Pufang needed a bath and a change of clothes everyday. Deng Xiaoping's stepmother Xia Beigen [1115 0223 2704] was already in her 70 years old and was busy with the cooking and so on. Zhuo Lin was in poor health and was sick all the time, and so the task of taking daily care of Deng Pufang fell on Deng Xiaoping. Every morning after work, Deng would come home to see his son. After lunch he would give him a bath. He carried his son from his wooden bed and helped him turn over and rubbed his body in the hot steam again and again. He was never sloppy. He did this everyday, never missed a day.

At that time, Luo Peng [5012 2590], the party branch secretary in the factory where Deng Xiaoping worked, made every effort to find a helper for Deng Xiaoping. Luo Peng was also a very experienced veteran cadre. He had been a section chief in the Liu-Deng army during the KMT-CPC civil war. During the Cultural Revolution, although he was Deng Xiaoping's "boss" in the factory where they worked, he never mistreated Deng. Instead, he tried very hard to take care of Deng in every way.

Today, Luo Peng is a member of the Jiangxi Provincial CPC Advisory Committee. His eldest son is the famous young economist Luo Xiaopeng [5012 1420 2590] who currently is a visiting scholar in the United States. Rumor has it that some extreme leftists have accused him of harboring liberalist thoughts, and that is why he is in exile.

Tao Ruijin [7118 3843 2516], the platoon leader responsible for protecting Deng Xiaoping, found a wheelchair for Deng Pufang so that he could wheel himself into the courtyard everyday and could move around in the fenced yard to take in some fresh air and enjoy the flowers and the shrubs. When he wanted to return to his own room, because it was on a higher level, Deng Pufang had to start from 3 meters away and use every bit of his strength to get himself up the step and make a run for his room.

In April of 1972, at the repeated request of Deng Xiaoping and others, the CPCCC General Office finally gave permission for Deng Pufang to return to Beijing's 301 Hospital for treatment. The Jiangxi Revolutionary Committee sent two workers to escort Deng, and along with Deng Rong, three people accompanied Deng Pufang to Beijing.

Several years later, Deng Pufang wrote from Beijing to Jiangxi thanking those who had helped him. Deng Xiaoping also wanted to thank the factory where he had worked, but by then Luo Peng had already been transferred and many of the former workers who had been intellectuals sent to work in the countryside had since returned to Nancheng City, and meanwhile the new

workers proceeded to ask Beijing for tens of millions in financial help. Reportedly, Deng eventually gave them a few million.

Deng Pufang's Savior

On entering the 301 Hospital for a second time, Deng Pufang met Wang Luguang [3769 7627 0342], son of General Wang Shusheng [3769 2885 5116]. Wang Luguang graduated from Qinghua University in 1970 with a degree in Mechanical Engineering. He worked in a research institute under the State Commission of Science and Technology for Defense for half a year or so before being transferred to a division in the Academy of Aeronautics as ground personnel. Later, while serving as naval representative in a factory, he had an automobile accident and became a paraplegic. Subsequently Wang Luguang and Deng Pufang became Mainland China's earliest champions the disabled.

In 1974, supervised by the mainland's famed specialist Dr. Qian Xinzhong [6929 0207 0022], Shanghai's orthopedic specialists and 301 Hospital's orthopedic specialists formally began treatment for Deng Pufang who had been paralyzed for 6 years, and they even performed diagnostic surgery on him. The result showed serious damage to the thoracic and the lumbar vertebrae. Part of the spinal cord, from the 12th to the 6th thoracic vertebrae, was necrotic, and because of that, his paralysis had moved up from his legs to just below his breasts. At that time, the doctors said that if he had been given proper medical treatment 6 years earlier, his paralysis could have been confined to below his thighs, but the prolonged bone fracture had produced a hematoma, and blood had moved up along the spine and pressed on the spinal cord for as long as 6 years. His injured spinal cord would never heal. In other words, Deng Pufang would never stand up again.

In 1978, Deng Pufang pushed his little wheelchair and went to work in the Beijing East Wind Television Manufacturing Plant not too far from home. He volunteered his service for 3 hours a day, testing television sets on the assembly line in the color TV workshop.

Because of increased activities, Deng Pufang's once-stabilized illness began to show signs of deterioration. His spinal cord beneath the sensory plane was loosening. He could even hear the creaking sound as the joints moved. An X-ray showed that the loosening of the vertebrae could lead to hemorrhaging of the adjacent arteries, which could be fatal. Immediate surgery was called for. But at that time, such surgery was not available anywhere in Mainland China.

By then, Deng Xiaoping was already the most powerful man in China's political arena. There was no need for a Wang Fengwu to push a flatbed cart to seek help. Someone had already contacted Dr. Ma Kun [transliteration of name], president of the American Orthopedic Association. He made a special trip to the 301 Hospital to treat Deng Pufang. After an examination, Ma Kun knew immediately that Deng Pufang had

previously been operated on by a Soviet doctor. The Soviet doctor had taken out some broken pieces of Deng's spine and used a special bone material to stabilize his spinal cord, but Deng had lost all senses and all movements in his body from the waist down. His spine could no longer function to support his body, and he could no longer sit up.

Dr. Ma Kun, often called Deng Pufang's "savior," offered the following remedy: His paralysis could no longer be cured, but Western medical technology could help him sit up.

Canada Contributed \$500,000 Toward His Medical Expenses

To go to the West for surgery, the operation alone would cost at least \$250,000, and adding hospital stay and recovery after the surgery, the total cost could come to \$500,000. Deng Xiaoping's family who earned only several hundred yuan RMB of course could not afford it. Charging the expense to the state treasury would upset many citizens.

After Dr. Ma Kun returned to the United States, he contacted Washington's Walter Reed Army Hospital. However, since Deng Pufang had no army background, and in compliance with U.S. army hospital rules, he was denied admission. The U.S. Congress too would not agree to helping out with the cost of the operation.

World-famous spinal cord surgeon Armstrong [as transliterated] was chief resident in Canada's Ottawa Municipal Hospital. He was a good friend of Dr. Ma Kun. The two put the deal together. Dr. Armstrong did not charge anything for the operation, and Canada's Premier Trudeau approved payment for all medical expenses.

In September of 1980, Deng Pufang arrived in Ottawa, the Canadian capital. He later told reporters that his family had paid for his travel expenses.

In the first operation, the doctors opened up his back and inserted two 30 cm long steel rods between the 6th thoracic vertebra and the 5th lumbar vertebra. The rods had hooks at each end which were used to tighten the spinal cord which had loosened. One week later, a second operation was performed to open up the chest and thoracic areas. A small piece of leg bone was removed and inserted between the 2nd and the 3rd lumbar vertebrae which were deemed most likely to separate. A screw was put in and tightened onto a steel plate. The purpose was to enable his chest to support his body.

The two operations required transfusions of 9,000 cubic centimeters of blood, twice the amount of blood in a normal human body. Later, whenever he ran into a Canadian, Deng Pufang would joke that he was "half Canadian."

After the operation, he had to stay in bed for 6 months. He could not move nor sit up, and he was fed a liquid diet.

To save money, after staying in the hospital for a month, Deng Pufang asked to be moved to the PRC embassy. Three months later, Dr. Armstrong suggested that he check into Canada's well-known Recovery Hospital for 3 months. At that time, because of the "iron tendons and steel bones" in his upper body, he could only maintain an upright posture and could not bend his waist. If he dropped something, he could not pick it up. He had to go to the Recovery Hospital for physical therapy. But Deng Pufang asked that he be allowed to return home as soon as possible. "I would rather go home than lie in bed all day staring at the ceiling in Canada."

Deng Pufang was carried to Canada and carried home to China. No doubt, Canada's modern convalescence and medicare system had a big impact on him after he returned to China to take up his cause for the disabled. That was why "instead of recuperating alone in a foreign country, he would rather go home as soon as possible to build a Chinese recovery center and share his recovery with everybody."

In mid-1981, Deng Pufang returned to China and lay in bed at home for several more months. One day, he finally sat up. He picked up the phone and called Wang Luguang and said, "Let us take up the matter of building a recovery center. You find someone to get this thing started."

Establishing the China Welfare Fund for the Handicapped

In March 1983, Deng Pufang and Wang Luguang paid a visit to the CPC minister of civil affairs, Cui Naifu [1508 0035 1133], and minister of public health, Cui Yueli [1508 2588 3680], and proposed raising funds to build China's first recovery center in Beijing. The two ministers immediately expressed support, but considering the source of funds and the nation's many disabled and handicapped, they suggested setting up a fund.

Deng Pufang and Wang Luguang took advantage of their special connections and convinced the State Council to approve the establishment of the China Recovery and Research Center for the Physically Handicapped and the China Welfare Fund for the Handicapped and to allocate 26 million yuan for the founding of the recovery center.

The China Welfare Fund for the Handicapped is located in the guesthouse of the PLA General Political Department in Court 116 in Beijing's Xicheng District's Xizhimen. Because the then director of the PLA General Political Department, Yu Qiuli [0151 4428 5937], was also disabled, he naturally was enthusiastic about helping and provided free office space for the Fund.

On 15 March 1984, an inaugural ceremony was held in the ceremonial hall of the CPPCC. The CPC's supreme leaders Peng Zhen, Xi Zhongxun, Wang Zhen, Yu Qiuli, Wang Ping, Duan Junyi, Hu Ziang, Zhu Xuefan, Ngapoi Ngawang-Jigme, Rong Yiren, Li Peng, Yang Jingren,

Zhao Puchu and others attended and offered their congratulations. Deng Pufang personally delivered a speech. Chinese and foreign press gave the affair extensive coverage.

At the ceremony, Wang Zhen was named honorary director-in-chief and Deng Pufang and Wang Luguang were named deputy directors.

The June 1990 issue of the monthly magazine ZHONGGUO ZHICHUN [CHINA SPRING] published the article "Kanghua Company: Heading Down the Sacrificial Altar" by Mr. Cheng Lu [4453 6424]. The author exposed many shocking inside stories, but his analysis of Deng Pufang's motive in setting up the China Welfare Fund for the Handicapped was especially harsh. However, this kind of analysis was indeed representative of how some people viewed Deng Pufang.

In his article, Cheng Lu said that the suffering inflicted on Deng Pufang during the Cultural Revolution "no doubt had a profound effect on his thinking and ideas. The sense of inferiority of a handicapped person and the strong desire to conquer all no doubt governed his subsequent thoughts and behaviors. A psychoanalysis of Deng Pufang would show that his was a unique case. His prominent class origin, his good family background had given him far too many hopes and dreams in his younger days. Everything that had happened during the Cultural Revolution had thrown him from the peak of his dreams into an abyss. His paraplegia produced a feeling of hopelessness toward life and gave him complex thoughts. Hidden behind his easy smile and the hypocrisy of his generous gift-giving was the compulsion to possess life and the sense of satisfaction after every charitable act. This complicated and strange psychology was responsible for what Deng Pufang did, and it turned him from an unknown person into a world-famous, unique celebrity."

In these authors' opinion, the deep-seated psychological motive behind Deng Pufang's founding of the China Welfare Fund for the Handicapped matters very little. The important thing is whether this fund does indeed work to the benefit of the disabled. Deng Pufang might have, intentionally or unintentionally, taken advantage of his father's name, but in China's situation, because, as pointed out by Wu Jiexiang [0702 4471 4382], an early supporter of neo-authoritarianism, "all traditional societies are class societies"—without Deng Pufang's "class origin" and "background," this undertaking would not have been pursued, much less made popular. But no matter what, such undertaking on behalf of the disabled deserves affirmation and praise.

There are nearly 51.64 million disabled people in Mainland China today. This is twice Canada's total population. For a long time, their welfare and status had been ignored. We cannot say that the CPC's Ministry of Civil Affairs has done nothing for the disabled in the last 30 years, but because of society's prejudices against the disabled, the absolute majority of these people have long

been alienated by society in general and have led miserable lives. In comparison, Deng Pufang should count himself among the fortunate despite the kind of harsh environment in Beijing's Qinghe Charity Institution where he lived during the Cultural Revolution, because those who are not registered permanent residents in the city cannot gain admission to that institution.

Even after moving to the United States where there is free speech, a reporter (pen-named Jun Yiping [1498 0001 1627]) who once interviewed Deng Pufang continues to hold his old view—he respects and admires Deng Pufang. He even said that without Deng Pufang, China's disabled would not have what they have today. Of course, there is still much work to be done for the disabled, but compared to the days before the early 1980's, things have improved dramatically. There are laws to protect the disabled. All "organizations providing employment" are required to set a quota for disabled persons when hiring. Nonprofit factories that benefit the disabled are exempt from taxes, and factories that hire a certain percentage of disabled workers also enjoy tax exemptions or breaks. All new public and cultural facilities now have ramps to facilitate wheelchairs. No doubt, Deng Pufang has done far more for China's disabled than any government organization or high-ranking official. These accomplishments should not be disparaged because of some political factors.

However, this does not mean that Deng Pufang is not responsible for the notorious affairs of the Kanghua Company. We will talk about this matter in the section dealing with the Kanghua Company. But it was not entirely true that because of his father's prominence, Deng Pufang could do as he pleased. At least, even in recruiting talent, he has run into a few obstacles.

The Fund Became a Small "Huangpu Military Academy"

Many who know Deng Pufang agree that he is not arrogant and overbearing like the children of many other high-ranking cadres. He is good at, or we should say he spares no expense in, recruiting talented people. After he came back from Canada in 1981, he once discussed China's overall policies with He Weiling [0149 4850 0407], Chen Yizi [7115 0001 6171], Wang Xiaoqiang [3769 1420] and others. He Weiling said that the biggest problem was the communication gap between the two generations. He advised Deng Pufang to set up a "Huangpu Military Academy" to improve the talented people. Deng Pufang agreed with him wholeheartedly but was not sure that he would succeed. He said that China's high-level decision-making process had always been a closed process and that party discipline would not allow the interference of think-tanks, and he added that he had no confidence that he could convince his father.

The series of action Deng Pufang took later seemed to indicate that he in fact had intended to shape the Fund into a small "Huangpu Military Academy." Today, at least three people who have come out of the fund are

holding important CPC posts: current Qingdao City mayor, Yu Zhengsheng [0151 2973 5116], Qinghuangdao's vice mayor, Tang Ruoxin [0781 5387 2500], and vice chairman of the Inner Mongolian government, Lin Yongsan [2651 3938 0005].

But earlier when Deng Pufang tried to recruit them for the Welfare Fund for the Handicapped, it was not as easy as many outsiders thought.

For example, in the early days, the magazine SANYUEFENG [SPRING BREEZE] published by the fund was not very good. It lacked qualified editorial staff. Someone suggested recruiting Gao Jianmo [7559 1696 2875], then chairman of the Art Department of ZHONGGUO JIAOYUBAO [CHINA EDUCATION], but the Ministry of Education would not let him go. Deng Pufang personally visited each of the four ministers and deputy ministers of the Ministry of Education at that time but was turned down by everyone.

However, once Deng Pufang sets his mind on someone, he would have him, even if he had to run 10 marathons to get him. On at least three occasions, he looked up the then vice minister of education in charge of ZHONGGUO JIAOYUBAO, Peng Peiyun [1756 0160 7189] (currently minister in charge of the State Family Planning Commission, wife of NPC vice chairman, Wang Hanbin [3769 3352 2430].) His sincerity helped him remove the worst of obstacles. Peng Peiyun who had refused to let Gao Jianmo go finally came up with one last proposition: "He may go, but he must still work for ZHONGGUO JIAOYUBAO." Deng Pufang agreed, and so for some time, besides being SANYUEFENG's assistant chief editor, Gao Jianmo was also in charge of the nearly 10,000-word supplement to the weekly ZHONGGUO JIAOYUBAO.

Yu Zhengsheng's joining the Welfare Fund for the Handicapped also took some effort. At that time, Yu was one of the most valued technicians in the Ministry of Electronics Industry. He had been in charge of several major scientific and research projects. When Deng Pufang first sought him out, Yu Zhengsheng himself was reluctant. He wanted to work in his own field. But for several months, Deng Pufang kept on calling him over the phone, and eventually, Yu Zhengsheng said, "If the Electronics Ministry agrees, I will come." He thought the ministers at the Electronics Ministry would never let him go.

Yu Zhengsheng first reported to the minister who indicated that he would never let him join the fund. He even said that the ministry's party organization was about to promote him to deputy section chief of the planning section. But on the next day, he changed his tune. "Yesterday, Deng Pufang came to my home. I live on the second floor. He asked someone to carry him upstairs. There was even a bedpan behind his wheelchair. After seeing that, I simply cannot refuse him. You should go help him out."

Swept Up by the "Business Craze" and Stirred Up Trouble

When the China Welfare Fund for the Handicapped was first established, it was sensational, and it amassed large sums of donations. But as time went by, the source of funds began to dry up. The Ministry of Civil Affairs was appropriating only 200,000 yuan a year, barely enough to pay the workers and office expenses.

The "business craze" which swept China at the time gave the people in the fund an idea. Someone suggested to Deng Pufang to use the money donated by the public and appropriated by the state to set up enterprises and let the market economy help build up their limited resource and bring long-term, steady financial means to fund the welfare undertakings. So Kanghua Industrial Co. was founded in 1984. Deng Pufang was named chairman of the board.

At first, Kanghua Industrial Co. (people called it "Little Kanghua") was a success. The enterprises it set up engaged in trade, and in 1985 alone, they made 9.97 million yuan in profits. In 1986, they made 17.56 million, and 22 million in 1987. But Deng Pufang paid dearly with his reputation for this miracle, especially later on when he started the Kanghua Development Company (people called it "Big Kanghua"). By then the whole nation was ready to hang him.

During the "Little Kanghua" days, besides his using special privileges to resell government documents to reap exorbitant profits, the most notorious was the story of "Deng Pufang Rolling Up the Whole Country in Imported Cigarettes."

On 28 August 1984, in his capacity as deputy director of the fund, Deng Pufang went to Hong Kong and Macao to raise money to build the Beijing Recovery Center. With Xu Jiatun's vigorous support, many so called "patriotic capitalists" in Hong Kong gave generously. However, one businessman gave not money but a large supply of "Lucky Strike" imported cigarettes. At first, Deng Pufang was hesitant, but at the end he accepted.

One Chinese reporter said, "That foreign businessman must have ulterior motives when he gave not money but cigarettes. Back then, the people could neither afford nor were they used to imported cigarettes, and when those cigarettes got to China, Guangdong Province was responsible for selling them. They were sold in all major hotels, and at the end they did make money, but following the Cantonese, the whole country was hooked on foreign cigarettes. What they smoked was a status symbol; what they smoked was foreign exchange. Imported cigarettes swept the whole country. Even today, the Customs Office is still unable to stop the flood of imported cigarettes."

Ji Peng, general manager of Kanghua Company's Guangzhou branch office, tried to dispel the rumor. He said that the China Tobacco Company was charged as an

agent with the job of selling the cigarettes and that foreign cigarettes had always been popular in China.

The earlier-mentioned ZHONGGUO ZHICHUN article by Cheng Lu also exposed three scandals. Reportedly, Mr. Cheng Lu once worked for the Kanghua Company, and so his stories are not entirely baseless.

The first scandal took place in 1985. Kanghua Company had purchased from a small dealer some rejected Matsushita-made products. The company took advantage of its special connections to sell the goods on the Chinese market. By the time the customers discovered that the products were defective, they could not get them repaired, because Japan had long stopped producing these NC-370 video recorders, and there were no spare parts available anywhere. Kanghua was attracted by the low price and high kickbacks and ignored the interests of the masses of Chinese consumers and cruelly took from the Chinese citizens several million yuan of their hard-earned money they had saved. Even today, there are no less than 10,000 useless NC-370 video recorders in the hands of Mainland China citizens.

The second incident took place in 1986 when the Kanghua Southern Company and its partner, the Chinese-owned China Merchants Steam Navigation Co. in Hong Kong targeted the tight cold-rolled steel plate market and imported several thousand tons of thin cold-rolled plates from South Korea. Because they did not have the necessary import permits, the goods were held up by Customs in Shenzhen. Lawsuits were brought all the way to the CPCCC Commission for Discipline Inspection, but Kanghua Company made the preemptive strike of countersuing all personnel responsible for seizing the steel plates, including the chief of the Shenzhen Customs Office and six or seven officers on duty at the Wenjindu Customs Office, and eventually several people were arrested for accepting bribes. Meanwhile, Kanghua's steel plates successfully entered the mainland market. They entered into a partnership with Bo Xiyong [5631 3556 3057], Bo Yibo's [5631 0001 3134] son, who controlled the China Automobile Industrial Company and sold the steel plates to Changchun Auto Manufacturing Plant and Hubei No. 2 Auto Plant at a high price, and in addition to the several millions they made in profit, they also received hundreds of thousands in U.S. dollars in kickbacks from the South Korean company. Where did the money go? Nobody knew. But none went into the state's coffers.

The third incident involved profiteering on an export permit for 10 million yards of all-cotton bleached cloth. From this incident, one may understand how the Kanghua Company came to be the country's well-known major company. In the summer of 1986, in the name of the Welfare Fund for the Handicapped, a gentleman from Kanghua Industrial Co.'s Dalian branch asked MOFERT's Dalian Office to approve an export permit for bleached white cloth. Everybody knows that 80 percent of the raw materials used by Hong Kong's garment manufacturers are imported from the mainland,

and all-cotton bleached white cloth is the hottest seller in the very tight market. Since such cloth is in short supply even in the mainland market, whoever gets a hold of an export permit can expect to make a big profit. Kanghua's Dalian subsidiary and MOFERT's Dalian Office reported to the Ministry that a certain Hong Kong businessman was willing to donate HK \$2 million to the Welfare Fund for the Handicapped on the condition that he be allowed to purchase 10 million yards of all-cotton bleached cloth from China. Seeing the report and the bright red seal of the Welfare Fund for the Handicapped, MOFERT dared not refuse the younger Deng and unconditionally issued a permit right away. Who would have thought that only a month later, the permit was seized by the Shenzhen-Kowloon Customs and was reported to the Customs Headquarters. Upon investigation, it was learned that Kanghua had made up the whole story when applying for the export permit for the 10 million yards of bleached cloth. In fact, after getting the permit, they turned around and sold it at the market price of 560,000 yuan to a private company in Shenzhen. It was discovered and seized by customs officers at the border. The Shenzhen company could not come up with an excuse, and the 560,000 yuan was a total loss. And the Customs Headquarters just let by-gones be by-gones. During the rectification of 1986, Deng Pufang claimed he "was unaware of the specifics" and cleared himself of all wrongdoings. The subordinates tried to blame their superiors, and everybody else blamed somebody else, and eventually, the whole thing was forgotten.

In his article, Mr. Cheng Lu drew the conclusion that in 3 short years, by taking advantage of its special background and resorting to unscrupulous means, Kanghua Industrial Co. Ltd. made more than 50 million yuan—each employee earned an average of more than 200,000 yuan for the company. It could indeed be called a "high-profit" enterprise. Not only that, but Kanghua Co. was also extended special treatment by the Financial Ministry and was exempt from paying income tax. Every cent it made was put into Deng Pufang's pocket—and entered into the books of the China Welfare Fund for the Handicapped. By then, Deng Pufang was no longer driving his once-admired Japanese-made "Crown" automobile; instead he bought a Mercedes Benz 380. He was surrounded by four or five bodyguards plus servants who attended to him day and night. Quite a Chinese nouveau riche.

Deng Pufang's "Three Contentions"

Regardless of whether the above stories were entirely true or not, rumors about Deng Pufang began to spread throughout the mainland. A Kanghua employee once got into a taxi cab, and the cab driver, not knowing his passenger's identity, made the following charges, "Deng Xiaoping's son runs a company, supposedly for the good of the handicapped, but of the so many cripples and mutes out on the streets, which one has he helped? I heard that even his walking stick is made out of gold."

In addition, there were numerous scandals concerning various efforts to "solicit contributions." In Mainland China, all solicitations for donations are organized by the government, and this often turns a voluntary act into an apportionment and an initiative to help one group of citizens into an act of exploitation of another group.

When Deng Pufang personally solicited contributions, most units and localities would oblige out of deference and even greet him with a friendly smile, although as soon as he left, they might complain and even curse him.

A locality in the northeast simply resorted to the practice of mandatory apportionment of contributions, claiming that the money was for Deng Pufang. Such practice often led people to blame Deng Pufang for everything, making him the public enemy.

Back then, Deng Xiaoping also had heard some rumors. In 1986, he convened a family meeting and reminded his children that whatever they did, especially if they were running a business, they had to be cautious and abide by the laws of the nation. Deng Pufang was the first to defend himself, saying that he had never acted in violation of the law and said that henceforth he would be even more careful and would remind his partners to abide by the law.

Deng Xiaoping said, "Good, because if any of you should break the law, the best I could do would be to act as an enlightened father."

Soon after, Deng Pufang resigned from "Little Kanghua."

In the latter half of 1986, at some gathering with his close friends, and in the face of many setbacks, Deng Pufang expressed his own "three contentions":

First, is the Chinese nation any good? Can we keep up with the rest of the world? I disagree vehemently when people say that the Chinese nation is no good!

Second, is the Communist Party any good? The CPC has done many things that shook heaven and earth but has yet to find out how to be a good ruling party. But it still has gathered in it the majority of the Chinese nation's elites. I disagree vehemently when people say that the CPC is no good!

Third, is this generation any good? This generation refers to people between 30 and 50 years old—people who have lived through the Cultural Revolution. They grew up with the PRC and have lived through the disasters this nation has seen. They understand this country, this Party. The people of this generation may have lost much of their vigor, but I disagree vehemently when people say that this generation is no good!

CPC newspaper suggested that the kind of national pride, the sense of responsibility of the CPC, and the sense of mission of this generation expressed in these

"three contentions" together with humanitarianism made up the departure point of Deng Pufang's thoughts and conduct.

But to the outsiders, it was but Deng Pufang's way of striking back at the rumors about him. He wanted to move on, and he had even more ambitious ideas. Perhaps he has overestimated his own sphere of influence, or perhaps he did not understand Sakyamuni's famous saying, "Good conscience and good reputation are two different things. Good conscience lies within oneself, but good reputation is bestowed by others."

On 13 December 1986, two Sichuan natives—Ba Jin and Deng Pufang—got together for a "heart-to-heart" talk. Toward the end of their conversation, these two good friends, despite their age difference, became prophetic and philosophical.

Ba Jin said, "Throughout my life, I have told few lies. I am at peace with myself. I have no regrets."

Deng Pufang said, "I can tell that life will be very difficult for me in the next decade or so. In particular, life will be very tough for those willing to work, but there will always be someone willing to take up the cause."

Apparently, Deng Pufang had sensed the inexorable doom.

"The Best Name Under Heaven"

Insiders claimed that in the latter half of 1986, Deng Pufang, Wang Luduang, Jia Hungsheng [6328 5725 3932] (secretary general of the Fund, and later its assistant general manager,) and Huang Dashu [7806 1129 2885] ("Little Kanghua's" general manager) and others tried to convince the group of old men, members of the CPPCC and the ministries and commissions of the State Council, in an effort to turn "Little Kanghua" into "Big Kanghua." In other words, they wanted to expand their sphere of influence and operating scope and set up a state-run, ministry-level company similar to CITIC.

In 1987, "Big Kanghua" formally registered for business. Its purpose, as stated, was to put itself under the State Council's guidance, deal with the outside world as a civilian organization, and take part in economic activities to raise money to fund welfare projects for the disabled—all money would be turned over to the Welfare Fund for the Handicapped to pay for services for the disabled.

The company had 200 million yuan in registered capital, with 120 million yuan in actual funds. Financially, it was comparable to Guangdong's Wanbao Co., Baiyunshan Pharmaceuticals, and Donghua Industrial Co. Ltd. But no one else had Kanghua's status—ministry rank. The company's chairman and vice chairman were given administrative ranks similar to those in government departments. Former minister of petroleum industry, Tang Ke [0781 0344] was named chairman of the board; former minister of Coal Industry, Gao Yangwen [7559

2254 2429], was vice chairman; Han Boping [7281 0130 1627], former Beijing Municipality's executive vice mayor, was named general manager. The company had four minister-level cadres and more than 60 section- and bureau-level cadres. Such a large number of high-ranking officials is rare among CPC companies. "Big Kanghua" was a fund-owned enterprise. Some people joked that "wouldn't that make Deng Pufang vice premier?"

More important was the fact that Kanghua had all sorts of "special privileges." According to Kanghua's managerial personnel, they were only as powerful as most other large companies, which meant among other things that it had provincial-level economic decision-making authority, but because it was not approved in time for the 1988 plan, it did not receive any projects, funding, goods and materials under the state plan.

Regarding its import-export business, MOFERT in April 1988 approved of the scope of the company's import-export business to include all category three products and some category two products.

With regard to its 5-year exemption from income taxes and payments to the Communications and Energy Fund, the privilege applied only to enterprises directly invested in by Kanghua. Other enterprises, whether collective- or people-owned, did not have the same tax exemption or reduction privilege despite ties with Kanghua. Kanghua continued to pay the business tax, product tax, appreciation tax, and resource tax (all taxes exempt during the "Little Kanghua" period were handed over to the Welfare Fund for the Handicapped, which in turn plowed back large sums for reinvestment.)

However, these were but a game of words to fool the people. If "Big Kanghua" did not have its special power and was not so enticingly rich, would so many people have been so concerned about the welfare of the handicapped all of a sudden?

In 1988, China was seriously short of nonferrous metals, and Evergreen, CITIC, and the China National Nonferrous Metal Industry Corp. spent huge sums of foreign exchange to make foreign purchases to remedy the shortage at home. At the same time, through personal relations with the State Planning Commission, Kanghua obtained more than 30,000 tons of steel at parity prices through state transfers and then resold the material at a high price to local enterprises; even CITIC and Evergreen bought from them, paying foreign exchange. Many who were aware of what was going on were shocked. They all agreed that Kanghua was "very smart." The magazine NAN FENG CHUANG [SOUTH BREEZE WINDOW] published some figures which might have been boring to some people compared to the many vivid and intriguing rumors, but from those figures we can judge for ourselves the "weight" Kanghua Co. carried on Mainland China.

The company reported that once, the top man in the Xinjiang Autonomous Region personally allowed it to

purchase at a low price 194 tons of fleece, a state-controlled commodity, and it resold the fleece to a businessman in Hong Kong in return for tens of thousands of bottles of unmarketable cosmetics which were then sold on the Chinese market. The company also illegally exported 500 tons of fine worsted wool, and as a result, the domestic textile industry faced a sharp increase in raw materials prices.

The company's subsidiary, Jianghuai Company, did illegal business with 21 automobiles, and Kanghua Industrial Co. illegal resold 300 Japanese-made cars and made a huge profit.

The company overstepped its power when it exported 10,000 tons of silicon, throwing the Hong Kong market into chaos.

Mainland China's citizens were shocked by these figures. In China, if an individual-owned business had a license to sell fruit only, it could not sell cigarettes and matches and so on. Otherwise, it would be fined, or worse yet, its license would be suspended. But all of the above figures involved businesses not within Kanghua's operating scope.

A person who used to work for Kanghua said, once, he was in Guangzhou on business, and the "brothers" from Kanghua Southern Co. took him to the Garden Hotel for a big meal and immediately afterwards drove him to a military camp in Guangzhou's Dongjiao. They said they wanted to sell the piece of real estate to a "friend" in Hong Kong. The group wandered around, gesturing here and there. When a league-level cadre, who was assigned by the army to guard the barracks, came up to ask questions, the Kanghua people became upset and said, "Questions, questions. We are from Kanghua. This place will be sold in a couple of days. Why don't you mind your own business." Their barbaric behavior was frightening.

Later, it was learned that the barracks were indeed sold at a very low price to a Hong Kong businessman to be turned into a factory. Of course, the kickback was substantial. What was even more ridiculous was that the piece of land was actually sold before notification of the owner—the Guangdong Province Military Area Logistics Department. When the angry director of the Logistics Department went to the Southern Company in the Garden Hotel, a note from the Guangdong Military Area's Commander Zhang scared the director into making repeated apologies.

Similar stories about Kanghua Co.'s magical powers were told throughout Mainland China, and at every level, there were different tales. Children of high-ranking officials were jealous of other cadre children who worked for Kanghua, and so in that circle, there were rumors that Deng Pufang had two Swiss accounts, each containing a sum of no less than seven figures, and that he had sent money to his brother Deng Zhifang to buy a house in the United States. Profiteers in economic circles

envied the Kanghua people's lifestyle: They were accustomed to airplanes and big hotels, and every deal they struck was worth millions. Reportedly, branch managers carried all sorts of pre-approved blank documents and permits for all sorts for state-controlled commodities, and a signature would turn the paper into something worth hundreds of thousands.

Did Deng Pufang Play His Hand Too Soon?

According to RENMIN RIBAO dated 9 March 1988, "Japan's C. Itoh & Co. Ltd. offered a \$1 billion preferential loan to China's Kanghua Development Corp. to launch a partnership. The agreement will be signed in the afternoon on 8 March at the Great Hall of the People."

This was a sensational piece of news, but it turned out to be a hoax. It made Kanghua even more mysterious, more magical, but ultimately, it also made it more ugly, more ridiculous. Could Deng Pufang, the supreme leader of Kanghua Co, not know anything? He knew. But he was too credulous, too credulous of his own good judgement, too credulous of the moral standards and the capability of his subordinates who had once been ministers and bureau and section chiefs.

According to the man in charge at Kanghua, at that time, a department head from C. Itoh & Co. visited Kanghua, and a deputy director (of bureau rank) in Kanghua's industrial department took him to the Window of the World, on the top floor of the CITIC Building, to drink maotai, and since the Japanese was paying, they all had a bit too much to drink. Afterwards, the Japanese department head claimed that he had \$1 billion to lend. His statement was recorded by a secretary who had not been drinking. The next day, Kanghua's vice chairman, Gao Yangwen, saw the report and was ecstatic and made a direct phone call to C. Itoh headquarters. The Japanese were in a dilemma. They had intended to use the 1 billion yen as bait to lure Kanghua into buying its products and selling them in China. Little did they know that the employee would quote \$1 billion. They wanted to retract, but they soon realized that Gao Yangwen was the former minister of coal industry and that they were importing tens of thousands of tons of coal from Datong each year, and offending the minister could cut off the road to riches. But where would they get their hands on \$1 billion?

The Japanese too were tricky. They knew very well that Kanghua had no real use for the \$1 billion; it was just using it as a trump card, and so the Japanese immediately sent some people over to play along. They came up with conditions that they knew the other side would not and could not accept and let the affair heat up and then cool off, so that they had a way to back off and meanwhile save face for Deng's eldest son.

The play-acting was most lifelike. The loan agreement was reported from level to level, and each level examined and approved the deal, and at the end, they even held an important signing ceremony. The Chinese were in an uproar. They said Kanghua "did it," and all because it

was Deng's eldest son's company. What prestige! The Japanese were cool—the so called "Prince Company" was nothing out of the ordinary; it dared not misbehave.

By then, everybody had learned the truth. The Japanese began to make the excuse that the loan rate was too low and that it was based on the US dollar and blamed the negotiators for mismanagement. Later, when the CPC was cleaning up Kanghua and was going to revoke its right to borrow the money, the Japanese took advantage of the situation to cancel the whole deal.

Although the younger Deng likes to play bridge too, compared to the older Deng, he is far less skillful at the game. Back then, he was nevertheless young and rash and careless in playing his hand, which accelerated his run of bad luck.

Even then U.S. ambassador to Beijing, Winston Lord, noticed this. When Lord read about Kanghua in Hong Kong's English newspaper, he realized how sensitive and hot the topic could be. He gave the matter serious thought and told the embassy's first secretary that he wanted to see the head of the CPC Foreign Ministry immediately. The first secretary conveyed Lord's verbal message, the general idea of which suggested that Lord was worried and uneasy about public opinion of Kanghua because the Chinese had a tradition of saying one thing and alluding to something else: For example, criticism of Lin Biao and Confucius was in fact criticism of Zhou Enlai. So this time...

But Kanghua's people had underestimated the power of public opinion. It was not until the end of August that they began to realize that things were beyond salvation. At a symposium sponsored by JINGJI RIBAO, Kanghua Development Corp.'s general manager, Jia Hungsheng made a long speech in which he said that on the issue of official profiteering, one should strive to be scientific and accurate; otherwise chaos could result. He said the charge that Kanghua was the "biggest official profiteer" was a misunderstanding, a false accusation.

Jia Hungsheng pointed out vehemently that all the rumors were only "implications and innuendoes" and that "it is obvious where the spearhead is directed."

What Jia Hungsheng did not know was that at the time, people were asking, "who are you trying to scare?"

Perhaps it was just as Lord and Jia Hungsheng had said, that there was indeed a "black hand" behind the rumors. But by then, there was nothing Kanghua could do to defend itself, because Kanghua was not entirely without its problems. In fact, it had a pile of problems; enough to land many people in jail for life.

In December 1988, Guangzhou's NAN FENG CHUANG published an article about Kanghua. It said, "It seems they did not do a good job with family planning. They were spread too thin, and the organization had expanded too fast. That was Kanghua's major

error in decision. That mistake led the company directly to the sacrificial altar to face rectification, thus taking the first blow."

But on 3 January 1989, Shanghai's LAODONG BAO [LABOR NEWS] raised a question in its "Transcendence" column: "The corporations' general manager, Tang Ke, dismissed the company's problems with humor when he said, 'the problem was our poor family planning. We just had too many children.'"

"Nevertheless, people of course are still concerned, and they wonder if it was just 'too many children' or was it a question of the quality of the 'children'? Was there a problem of retardation due to 'inbreeding'? Was there a deformed child as a result of abnormal pregnancy? Or maybe it was not even a 'child' but a tumor?"

Kanghua Was the Domain of CPC "Princes"

One day, a senior JINGJI RIBAO reporter was riding in a taxi owned by one of Kanghua's subsidiaries. He asked to be taken to Wangfujing's Xiyuan Hotel. When they got to Xidan Road, the driver suddenly told his passenger to get out of the car. He said it was noontime and he had to go home for lunch. The reporter was angry and he took out his reporter ID and threatened to sue the driver's superior. The driver sneered, "You just get out of my car. I am Deng Pufang's company man. Deng Pufang's old man is old Deng. Whom are you going to sue?"

Deng Xiaoping = Deng Pufang = Kanghua Company's employee = Deng Xiaoping. "I am Kanghua's man!" "Get your governor. Get the party committee secretary!" As if old Deng was giving the orders himself. These orders worked. Whenever a governor or a provincial party secretary heard the name "Kanghua," they would bow their heads. Some provincial and city leaders would be anxious if Kanghua had not yet shown up on their turf. They would make personal visits and ask, "Why not open a Kanghua subsidiary in our town? Don't you like us?"

We did not make these up. They were even reported in the CPC newspaper.

When coal ran out, people would say, Kanghua "profiteered" it.

When oil ran out, people would say, Kanghua "profiteered" it.

If prices went up, it was because of "official profiteering." And Kanghua was the "biggest official profiteer under heaven."

If it hadn't been that it was so big that it produced fat, how could "Big Kanghua" have grown from a company with a few branches into one with several hundred branches within just a year? How could it have developed from a company with less than a thousand employees into one with tens of thousands of employees? Based on incomplete data compiled in 1988, Kanghua had 58 secondary companies, of which 33 were directly affiliated, specialized subsidiaries, and 25 were regional all-purpose branch companies. In addition, it had 133 tertiary companies, or "sub-subsidiaries." Even more interesting is that under the sub-subsidiaries, there were other companies, just like having "great grandchildren." This is by no means a lighthearted joke. We have proof. For example, Kanghua's Shanghai branch and Shenzhen's Cultural and Educational Enterprise jointly set up a company, and this company in turn has a branch company. Adding the corporation itself and the branches set up by its other companies, Shenzhen was overrun by "Kanghua's men."

The branch companies in different localities were generally controlled by children of local party, political, and military leaders. It was like killing two birds with one stone. These people were a unique group. These were special power brokers carrying their own trump cards. They were also royalties with money in their pockets. Their family fortune could allow them to go anywhere they pleased today and let them buy a whole nation tomorrow. Because of their fathers' power, they enjoyed exceptional privileges. They could enter into politics and rise to the top, and they in turn could feather their parents' beds so that they could live extraordinary lives later on. It was indeed killing two birds with one stone; it solved all problems once and for all. No wonder Kanghua swept the country like whirlwind and even overshadowed heaven and shut out the sun!

Cadres everywhere who were on leave or had retired, rushed to join Kanghua, taking advantage of old connections to make exorbitant profits.

Could it be that Deng Pufang did not know any of these? Why didn't he promptly stop these activities that were sending him to the sacrificial altar?

(To be continued in the next issue)

PROVINCIAL

Wuhan To Play Leading Role in Central Economy

92CE0623A Wuhan HUBEI RIBAO in Chinese

13 Jul 92 p 1

[Editorial: "Work As One To Wield the Turnkey"]

[Text] During the great tide of reform and opening to the outside world, Wuhan has welcomed the "golden age" in the acceleration of development. The Central Committee's approval of Wuhan as a city to be opened to the outside world provides Wuhan with extremely good opportunities. It makes full use of the turnkey role of Wuhan, and a concerted effort on the part of the entire province from top to bottom in wielding this turnkey is a strategic move that gives impetus to Wuhan's development and promotes the rise to a new level of the province's entire economy.

Use of Wuhan as a turnkey for the economic development of the whole province is an objective requirement for accelerated development of the socialist commodity economy under new circumstances. The pattern of modern construction tells us that it is cities that are the centers for regional economic development. As an exceptionally large urban center in the middle reaches of the Chang Jiang, Wuhan enjoys exceptional advantages as a market, as a transportation hub, in the amount of its investment, and in the intellect of its human talent. Working as one in making use of Wuhan's key role will help the exchange of advantages between Wuhan and the cities and zous in every jurisdiction in the province, the rational development of resources, the widespread tapping of potential, and joint development. As a center for the concentration and distribution of commodities in central China, Wuhan plays a market orientation role that helps break the old product economy model in the steady opening of international and domestic markets to shape a large market system for the circulation of commodities in Hubei. As a leader in the opening and development of the Chang Jiang economic belt in Hubei, Wuhan must develop both an externally oriented economy and high and new technology enterprises to a greater extent and more rapidly; develop industries and products of high quality that have high added value, that have a high technological component, that hold a high market share, and that produce high foreign exchange earnings. The upgrading and updating of Wuhan's industrial structure must make use of its role in attracting and diffusing to get development of the Chang Jiang economic belt off to a fast start. At the same time, it must transfer labor-intensive and resources-intensive industries to other prefectures and cities in the province, thereby providing these places with more development opportunities and spurring adjustments and changes throughout the province that optimize the structure of its economy. Specifically, the policies that Wuhan enjoys as a city open to the outside world must power and promote further opening and development of numerous other parts of the province. Full use of Wuhan's turnkey role

holds important significance for Wuhan's own development, for the opening to the outside world and development of the Chang Jiang economic belt, and for the development of the economy of the whole province.

The key to working as one to wield Wuhan's turnkey role lies in destruction of the barriers between higher and lower levels and between different departments or regions, and in breaking the shackles of local exclusionary practices to open avenues between one city and another and between cities and the countryside in accordance with the laws of a commodity economy and the taking of markets as the orientation. The entire province must conscientiously put into effect the decisions of the provincial CPC Committee and the provincial government on creating conditions and supporting Wuhan's reform and development. Quarters concerned must continue to implement provincial CPC Committee standing committee decisions on the official handling and study on the scene of various problems in Wuhan; and functional units directly responsible to the province must improve their sense of service, providing resolute support for Wuhan's reform and development and serving enthusiastically.

Provincewide joint use of preferential policies accorded Wuhan as a city open to the outside world, and joint playing of the "Wuhan card," is both a "golden key" for opening up avenues between one city and another and between cities and the countryside, and it is also essential for full use of Wuhan. The Central Committee's policy in making Wuhan a city open to the outside world also serves as a policy for Hubei. As the provincial capital, the degree of openness of Wuhan will express the degree of openness of Hubei. Wuhan has opened wide the city gates, and the municipal CPC committee and the municipal government have drawn up a series of preferential policies related to the province, including various preferential policies whereby cities and prefectures from other jurisdictions can set up and jointly operate business concerns in Wuhan, and obtain consideration on tax, credit, land, and materials, etc. Not only must we use these specific policies to accelerate economic partnerships and closer ties, but we must also pay attention to the study and use of Wuhan's various policies as a city open to the outside world to take a road of mutual benefit and mutual prosperity. During the past several months, Wuhan has organized groups for surveys with 11 prefectures, cities, and prefectures in the province. It has signed a number of agreements for the development of mutually beneficial lateral partnerships, for the founding of friendly prefectures and counties (or cities), and for a series of economic and technical cooperation projects. As real economic cooperation widens and improves, Hubei's and Wuhan's future prospects will become even finer.

Wuhan, a city listed under plan, forms a single economic entity with the whole province. Wuhan holds a turnkey role in the economic, technological, and social development of the whole province. We believe that the cadres and the public of Wuhan will not disappoint the great

expectations of the people throughout the province, that they will greatly value Wuhan's turnkey position, and that they will do a good job in every way to accelerate the pace of economic development, steadily increase Wuhan's abilities to attract and diffuse, and truly shoulder the task of serving as a turnkey. Cities and prefectures in all jurisdictions are part of the whole, and they must move in concert with it. As the turnkey role is brought into play and is exercised energetically, Wuhan will achieve much; Hubei will accelerate development; and Hubei's huge economic zone along the Chang Jiang will be able to take off.

Less Stodginess, More Enterprise Needed for Reform

92CE0623B *Wuhan HUBEI RIBAO* in Chinese
14 Jul 92 p 1

[Article by Zhao Yaping (6392 0068 1627): "Be Bold in the Use of Able People"]

[Text] Mr. Lu Xun said: "Our ancients did their best to mystify, obscure, gloss over, and be evasive, bequeathing daunting and practical matters for succeeding generations to remedy. The time for testing is now here." I feel that Mr. Lu Xun truly expressed his genius here. He disdained the suave people who idle away their time while pinning hopes on doers who dare to "stand the test." This is exactly one of the important matters awaiting solution in our intensification of reform.

I have a classmate who worked inland, but whose boss did not like him very much, who resigned to go to Shenzhen several years ago. Recently when he ran into me, he said with exuberance, "I have done very well during the past several years; I feel extremely happy. When I look at Shenzhen and think about inland China, I feel that it is not that talent is lacking inland; the key is that ideas and an environment like Shenzhen's that lets people's talent emerge is lacking." I must say that the words that this classmate spoke after several years of practice hit the nail on the head. Because of the constraints of traditional ideas and the influence of "leftist" thinking, for a long time we have become mired in a kind of mind set of "no mistakes counts as achievement, and those who do as they are told make good cadres" in dealing with human talent. We prefer and are less worried about those who are overcautious, who stick to conventions, and who do not dare strike out on their own; thus, we dare employ them and promote them, feeling that although such people will make no contribution neither will they make any trouble. Meanwhile, we are cautious about those who display talent, are courageous and knowledgeable, dare to think, speak, and act, are good at doing something out of the ordinary, and who dare to pioneer and move ahead. Even if we employ them, we keep them under tight reign, harbor doubts about them, feeling they are neither mature nor dependable. Little do we realize that it is just such antiquated and ossified thinking that stifles people's willingness to

pioneer and their spirit of moving head. The result is that many people stick to the status quo, become indifferent, do not think of getting ahead, lack drive, and fear competition. Thus, they feel complacent and go to sleep contentedly in a warm bed uncaring and without initiative. However, in places that are rather backward in their economic development, people should have to sleep on brush and endure hardships; these warm beds must be moved out at once.

This is the dialectic of things: wherever there is sunshine, there is bound to be shadows. A brave and strong man who hacks his way through difficulties, and who does all he can to get ahead will be found deficient in one way or lacking in another as he moves along, and he will exhibit a weakness here or make a mistake there. Meanwhile, those who do not strive to get ahead and who lack drive make few mistakes or exhibit few shortcomings since they do not do much work and struggle little. All the same, others find them charming and put them in important positions. It must be realized, that no achievements counts as mistakes, and those who are without defects have no so-called virtues. A leading comrade put it well when he said, "an entrepreneur must run his enterprise well. It is like rivalry on a football field. The more one dares to charge ahead, the easier it is to commit a foul." If one is unwilling to charge ahead, can he become an outstanding athlete and can he advance the ball?

In this nation of ours where exclusionary practices have been followed for so long and where tradition is so entrenched, one can imagine the difficulties and the travail in initiating reform and opening to the outside world. But only when there are difficulties can there be glory; and only when there is travail is strength needed. Thus, without a group of brave people who dare to enter forbidden zones and who dare to strike out on their own, it is difficult to take a new road. Therefore, we must be courageous in the use of capable people. Not only must we warmly help those doers and explorers who have made mistakes in the course of reform, but we must also be more solicitous and understanding of them, believe in them, and support them instead of blindly demanding perfection and heaping condemnation on them. We "must not allow one error to obscure great merits," nor "remove a great general because of a single mistake." We must foster a tolerant and harmonious atmosphere in which more human talent can come to the fore.

The "three favorables" standard that Comrade Deng Xiaoping proposed in a chat during his travels in south China parted the clouds that for many years obscured the selection of talent for promotion. By acting in the spirit of Comrade Deng Xiaoping's talk, the production of great talent that has gone on since ancient times can become a living reality, and the great bells of reform and opening to the outside world will sound more loudly throughout the suffering land!

Huber Inculcates Deng Xiaoping Reform Goals
92CE0629C Wuhan HUBEI RIBAO in Chinese
15 Jul 92 p 1

[Article: "Strive for Mastery of New Knowledge; Emancipate Thinking To Do Solid Work. Guan Guangfu (7070 1639 1381) Issues Appeal During a Provincial CPC Committee Panel Discussion With Trainees Making a Thorough Study of Comrade Deng Xiaoping's Important Remarks"]

[Text] Provincial CPC Committee Secretary Guan Guangfu emphasized that leading cadres at all levels throughout the province must concentrate their energies on diligent study and profound understanding of the spirit of Comrade Deng Xiaoping's remarks during his travels in south China, and Comrade Jiang Zemin's recent important speech at the Central Committee Party School in order to lead the people throughout the province in acting swiftly to bring about complete implementation of the provincial CPC committee's and provincial people's governments *Decisions on the Deepening of Reform, Widening of the Opening to the Outside World, and Advancing Development of Hubei's Economy to a New Level*.

Guan Guangfu issued this appeal during a 13 July CPC committee-sponsored panel discussion with trainees during a training class for thorough study of Comrade Deng Xiaoping's important remarks. The panel discussion was chaired by Wang Zhongnong [3769 6850 6593], member of the provincial CPC committee and chairman of the provincial CPC committee's propaganda department. Provincial CPC committee standing committee member and chairman of the provincial CPC committee Organization Department, Zhong Shuqiao [6988 2579 2884], attended the panel discussion.

Guan Guangfu said that history has demonstrated that whenever a great revolutionary movement occurs, a major study movement is bound to accompany it. Without serious attention to study and the updating of ideas, it is impossible to keep up with the course of events. Thus, one will either fall behind or commit mistakes. The department and bureau level cadre training class that the provincial CPC committee is currently holding is a means for implementing ideas that begins with study. In the training class, everyone has diligently studied the important remarks of Comrade Deng Xiaoping and the major speech of Comrade Jiang Zemin. They have also studied the relevant spirit of the Central Committee, and they have studied much new information about the socialist commodity economy, thereby attaining the goals of emancipating their own thinking and arming themselves. A popular saying goes, "Sharpening the blade does not delay the splitting of kindling." During this key period of reform and opening to the outside world, the use of training classes to arm the minds of leading cadres and to make the most of the leadership role and the role as models of leadership

organs and leading cadres holds important significance. Once thinking is emancipated, our strength is boundless.

Guan Guangfu emphasized that in the study of the important remarks of Comrade Deng Xiaoping and the spirit of the Central Committee, the goal must be to clarify one's mind and transform one's thinking. The goal must be the constant infusion of vigor and vitality into reform and opening to the outside world. Comrades must be adept at linking study to realities, understanding the historical inevitability of the development of socialist China in overall and historical terms. During the 28 years between the founding of the CPC and the liberation of China, the party's main task was to conduct class struggle. It was through armed struggle, the highest form of class struggle, that the "three big mountains" [imperialism, feudalism, and bureaucratism] were toppled to seize political power for the people. Following founding of the New China, the CPC's main task was to wield the political power it possessed to organize and arouse the enthusiasm of the masses to do a good job of economic construction to make the country rich and powerful, and the people prosperous. Only a strong country and a prosperous people can withstand the peaceful evolution of capitalism and be able to stand on its own two feet among the nations of the world. Following the Third Plenary Session of the 11th Party Central Committee, thanks to the initiative of Comrade Deng Xiaoping, the CPC adhered to a basic line of "one center and two basic points" to score world-arresting achievements in its efforts to move ahead with economic construction. This demonstrated that taking economic construction as the key element was entirely in keeping with the party's ideological line of seeking truth in facts, and entirely in keeping with the laws of historical development. Departure from this economic construction imperative does not work. In studying the remarks of Comrade Deng Xiaoping, one must also profoundly grasp the reasons that Comrade Deng Xiaoping set forth for China's selection of this nation-strengthening course of reform and opening to the outside world. In order to attain the goal of speeding up the development of productivity, we Communists must possess an attitude of boldness and seeking truth in facts that permits us to absorb and draw lessons from the advanced operating methods and management methods of the countries of the world, including the developed capitalist countries. Lenin made comments in this regard in the past, which Comrade Deng Xiaoping has further elucidated in light of China's own practice. Formerly we followed a course of sealing off the country from the outside world with the result that our economy did not move ahead. Only through reform and opening to the outside world, with the introduction of all the things useful for the building of socialism, is it possible to develop socialism. We have still not done enough in this regard; we must continue efforts. In our studies, we must also come to understand that the standard for judging right and wrong is the party's basic line, and the development of social productivity. In sizing up an individual or a unit, one must

determine whether productivity is emancipated or fettered. There is no basis other than this. Comrade Deng Xiaoping also asked us to dare to blaze new trails, dare to try out new things, and dare to take risks. This is because the theory for a distinctively Chinese brand of socialism exists that everyone is practicing, but more fully developed and more finalized systems, plans, and policies will require at least 30 more years of effort to bring into being and explore. Guan Guangfu believes that leading cadres must gain a clear understanding through study of these matters, which are basic, convey the orientation, and provide an overall context. They must not become bogged down in the day-to-day work of units while forgetting the main issues. They must proceed from this basic conception in dealing with China's reform and opening to the outside world. In analyzing the condition and pattern of reform and opening to the outside world in Hubei Province, Guan Guangfu said that the provincial CPC committee and the provincial government have concentrated the wisdom of all in drawing up "20 articles" on acceleration of economic development and reform and opening to the outside world. In framing these policies, we have made some major conceptual breakthroughs. Comrades must devote extremely careful attention to the policies formed in the wake of this destruction of old ideas, and put them into effect as quickly as possible through their own efforts. Guan Guangfu believes that the eight characters that express "opening to the outside world and removal of internal restrictions" are crucial in propelling Hubei's reform and opening to the outside world toward full development. Hubei Province's opening to the outside world is quite insufficient in comparison with that of the developed coastal areas of the country. The reasons for this may be found in a long-standing mentality of insulation that has created narrow mental horizons and poor impetus for opening to the outside world in Hubei. In addition, the province's removal of internal restrictions has not been sufficiently vigorous. Not enough has been done to develop the commodity economy. This results from the product economy that endured for so long, and government's meddling in business concerns, which bound the development of enterprises hand and foot. Thus, we must do all possible to overcome the insulation mentality and the product economy ideas, hasten a change in government functions, transform enterprises' operating mechanisms, put major efforts into increasing the role of markets in regulating the economy, and move in the direction of building a socialist market economy system.

Guan Guangfu said the "20 articles" that the provincial CPC committee and the provincial government have drawn up infuse new ideas for accelerating the shaping of a socialist commodity economy and devote much attention to development of regional economies. The highlighting of the turnkey role of Wuhan is a major conceptual breakthrough in the 20 articles. Comrades must fully appreciate this point. The pattern in which Pudong is the turnkey for the entire Chang Jiang economic belt, and Wuhan is the turnkey for the Hubei segment of the Chang Jiang holds strategic significance. If one regards

the socialist commodity economy as a great network, then the exceptionally large provincial capital city of Wuhan is the center of this network, which can play a tremendous diffusing and energizing role for other cities and the far-flung rural villages. All jurisdictions throughout the province must pay close attention to Wuhan in wielding the turnkey, consciously applying Wuhan's position as a transportation hub, its broad market, its developed scientific education, its complete tertiary industries, and its industries having a high technology content to spur development of the whole province's economy. The central government recently approved Wuhan as an externally oriented city. In a certain sense, this central government policy toward Wuhan is also a policy for all Hubei Province. Henceforth, we will have to see how each jurisdiction and each sector seizes opportunities for using this policy well, to the fullest, and vigorously.

Guan Guangfu emphasized that given the multitude of things to be done in economic construction, and in reform and opening to the outside world at the present time, the provincial CPC committee hopes that every sector in the province will both persevere in reforms in every regard and also adhere to a policy of developing key areas, not rush precipitously into rash action, and not fail to consider the returns to be gained. On matters such as the location of development zones and how to go about operating them, decisions must not be made rashly and blithely, but only after full investigation and study, and after providing tailored guidance. At the same time, a policy must be pursued that is both selective and provides support for poor areas, helping old revolutionary base, minority, border area, and poor regions wage a protracted war for development that enables these areas to keep pace with economic development.

In discussing how both economic development and reform and opening to the outside world both require large numbers of cadres who possess courage and knowledge, Guan Guangfu noted that the entire province, from top to bottom, must fully realize the importance of training cadres. Cadres lacking courage and resourcefulness will not do, and if they also dare not take chances or attempt to try new things, they will never be able to get free from outmoded conventions and bad habits. Naturally, courage and resourcefulness cannot be built on a mindless foundation; it must be built on the foundation of solid Marxist theory. In addition, leading cadres must also have "knowledge," for without necessary knowledge about a socialist commodity economy and specialized knowledge, they not only will be unable to guide the economy in making an extraordinary leap in development but also will find themselves in a passive position in which they will be defeated at every turn in a dazzling socialist commodity economy.

Guan Guangfu called upon the vast cadre ranks throughout the province to bring about a mass fervor for study quickly. He said, the current department and bureau level cadre training class has made a good beginning. Now all provincial departments and bureaus, as

well as all prefectures, municipalities, and zhous must run cadre training classes for cadres at the department level and above, using study to emancipate thinking, to update ideas, to update knowledge, and to see who has studied the most, who has understood most fully, and who can use the knowledge best.

Guan Guangfu said that the second tide of reform and opening to the outside world has confronted us with historically unprecedented development opportunities. Provincial organs must take the lead in seizing opportunities to accelerate development. The provincial CPC committee called for each department to begin reform in its own department, and in its own units. Departments concerned should begin by finding out what documents and regulations were issued in the past, all at variance with economic development, reform, and opening to the outside world being discarded after complying with legal procedures. Real deeds must be used to make everyone realize that leadership organs are really following a course for delegating authority to the lower levels rather than a course of clamping down. In addition, all departments, bureaus, and units in charge must keep their eyes toward the grassroots units in order to help them do a good job in expanding the removal of restrictions, intensifying reform, and accelerating pilot projects for economic development. Pilot projects should be used to guide overall work; on no account may they end up as subjects for discussion in official organs. Comrades must firmly remember that "empty talk harms the nation; real deeds help it."

FINANCE, BANKING

Articles View Shenzhen Banking Operations

Banks Emphasize Economic Results

92CE0576A Beijing JINRONG SHIBAO in Chinese
23 Jun 92 p 1

[Article by Zhao Jian (6392 0256): "Banks Emphasize Economic Results"]

[Text] Shenzhen, a hot spot where the economy is racing ahead at high speed. In the 10 years and more since the special economic zone [SEZ] was set up, the municipality's gross product, income, and gross value of industrial output climbed 53 percent, 50 percent, and 72 percent, respectively, each year on the average.

Shenzhen is also an incubator of a rapidly developing banking industry. To support the SEZ's drive to create a "Shenzhen speed," banks throughout the city have been increasing deposits and loans by over 70 percent each year. Today Shenzhen has become the spot in the nation with the highest concentration of banks and banking service points, and the highest percentage of workers in the banking industry.

Rapid economic growth has created a sustained demand by a large number of enterprises for credit. Had this

happened in the interior, the central bank would have come under enormous pressure by now to satisfy a host of banks scrambling for funds and expanded credit authority. Yet when Li Guixian [2621 6311 7639], the top leader in Chinese banking, visited Shenzhen in late May, he had a particularly easy time: Local banks neither asked for expanded lending authority nor competed for more credit funds. Wang Xiyi [3769 0823 5030], manager of the Shenzhen branch of the Bank of China, explained that in Shenzhen not only does the scale of lending stay within the level specified in the plan handed down by the head office of the Bank of China year after year, but the banks turned over 500 million yuan and 1 billion yuan in credit funds to the head office in 1989 and 1990, respectively. Moreover, the efficiency with which funds are used has increased sharply. What is the secret of the banks' success? Vice President Zhou Zheng-qing [0719 2973 1987] of the People's Bank of China gave away the secret in one sentence, "The good thing about this place is that it has created a self-restraining mechanism."

First, the detailed management of credit funds has been replaced by broad-based management, supplemented by proportional management.

With the special permission of the head office of the People's Bank of China, Shenzhen follows a special credit management system under which the zone's People Bank is responsible for the central allocation of the zone's credit funds. The Shenzhen branches of the various specialized banks separate themselves from their head offices and provincial branches for the purpose of credit planning and fund allocation. Instead, they are incorporated into the annual credit plan and cash plan of the Shenzhen branch of the People's Bank. It is up to the head office of the People's Bank of China to examine and approve the plans. What is being practiced is differential management. The Shenzhen branch of the central bank controls the scale of lending and is in a position to decide flexibly when to regulate and when to control. Its capacity for self-restraint is particularly striking when construction is in full swing.

Borrowing a leaf from the book of Hong Kong and other foreign countries, Shenzhen introduced management by proportion for credit funds on 1 January 1989. Essentially this means that building on the basis of credit funds quota management, the zone would pay special attention to the ratio between deposits and loans and to the mix of loans in terms of their repayment period. For instance, balance on long-term loans exceeding one year must not exceed 30 percent of total balance, the balance on short-term loans must not be less than 70 percent of total balance, and the increase in miscellaneous loans by the various banks in the zone in a particular year must not exceed 80 percent of the increase in various deposits for that year, so on. In the past, credit management was limited to regulating and controlling the total volume.

Now there is a new emphasis on regulating and controlling the mix of credit, which would help create a self-restraining mechanism for self-development and self-restraint in the various banking institutions.

The second piece of credit management reform in Shenzhen involves breaking with specialization and letting banks enter one another's fields and competing with one another, expanding the scope of domestic and foreign operations, and pushing for externally oriented banking.

Unlike their interior counterparts, which labor under serious restrictions, most Shenzhen banks offer a full range of services, doing everything they are capable of doing and competing fiercely, with each playing up its own strengths. This is mainly because construction funds in the zone come primarily from overseas, most of its output is exported, the zone economy is dominated by an export-oriented industry, economic activities in the zone essentially are regulated by the market under the guidance of the state plan, and nine domestic banks have to compete with 25 foreign-funded banks and must adapt by turning themselves into all-purpose concerns. This is the lesson Hui Xiaobing [1920 1420 0365], manager of the Construction Bank in Shenzhen, has learned: "Competition helps banks choose enterprises and enterprises choose banks." Banks scramble to lend to efficient enterprises but eschew inefficient ones. The upshot is a banking environment that supports the strong and restricts the weak.

Only when something is under control can you give it a little more leash. To prevent enterprises from obtaining bank loans fraudulently and prevent some banks from making loans indiscriminately at a time when banks are entering one another's field of operations and competing with one another, Shenzhen People's Bank introduced a loan certificate system on 1 April 1991. Thus far 5,300 such certificates have been issued. Under this system, an enterprise must produce a certificate when it applies for a loan. That way not only does the lending process become more visible, but it also makes the banking institutions more effective in restraining one another when it comes to making loans.

The third piece of reform in Shenzhen's credit management is to further reduce the political factor in lending compared to the interior, specifically by cutting back on unsecured loans while offering more secured and guaranteed loans.

So-called unsecured loans refer to loans made on credit and without security. These loans involve a simple procedure but are more risky. In the past the state bank issued most loans to enterprises on credit. When macroeconomic forecasting and regulation went awry, the result was uncollectible bad loans. In late 1984, the Agricultural Bank of Shenzhen lent 100 million yuan to an industrial and trading company at a time when its total lending authority was a mere 1.3 billion yuan. In the end, it had to write off 70 million in bad loans. Every bank has suffered similar experiences.

Strengthening credit management has enabled Shenzhen to begin to adjust the banks' loan mix. Since 1989, all banks have made it one of their central missions to reduce unsecured loans and increase the proportion of secured loans and mortgage loans and devised a host of methods to achieve those ends. Today, the proportion of secured loans and mortgage loans exceeds 90 percent while the percentage of loans on credit is single digit. The Bank of Industry and Commerce and the Bank of China in Shenzhen basically are not making loans on credit anymore.

During this reporter's visits to the People's Bank, Bank of Industry and Commerce, Agricultural Bank, Bank of China, and Construction Bank in Shenzhen to gather materials for a story, I heard one jargon repeated most often: "Credit asset risk management." To minimize the risk associated with lending, improve the quality of banking assets, and increase the return on bank funds, the Agricultural Bank in Shenzhen has borrowed a foreign experience: quantify lending risk, work out the riskiness of each kind of loan, set up a four-level credit system for enterprises, determine the lending examination and approval authority based on the risk factor, implement a system of restraint in which examination, lending, and investigation are separate from one another, and measure the quality of loans based on their riskiness. Through dynamic, not passive, risk management, the Agricultural Bank in Shenzhen recouped 120 million yuan last year and increased lending by 750 million yuan, still under the lending limit of 760 million yuan set by the People's Bank.

People in the banking circles in Shenzhen believe that whether it is the lending certificate system, the establishment of an enterprise economic file system, the adjustment of the loan mix of banks, the organization of syndicated loans, the separation of examination and approval authority from lending, or debt collection in accordance with the law, the purpose is the same: lower asset risk. An obvious weakness about these practices is that they are long on qualitative analysis and short on quantitative management. This is why the banking industry in Shenzhen has decided to popularize asset risk management across the board based on the Basle Convention starting next year. This means managing bank assets in accordance with the principle of risk, examining the scale of the risk assets of each financial institution involved in banking and determining how much capital each has, shifting from quantitative to qualitative regulation and control, and replacing qualitative analysis with quantitative analysis.

Based on the data on hand, we can see the effectiveness of the self-restraining mechanism of Shenzhen banks: increases in lending and gains in economic growth have reinforced each other in a positive way; over 90 percent of the funds of banks are own funds, up 34 percentage points compared to 1985; the number of turnover of loan funds lent by specialized state banks increased from 0.5 to 1.02 times between 1986 and 1991, while per capita profit rose from 4,200 yuan to 131,400 yuan; the loan

delinquency rate was 14.5 percent in 1991, 4.45 percentage points lower than in the preceding year.

A few days ago Li Guixian, State Councillor as well as president of the People's Bank of China, fully endorsed Shenzhen's banking reform. He said that Shenzhen must assimilate advanced experiences from overseas and then disseminate them from the coast toward the interior and increase reform step by step.

Banks Minimize Credit Risk

92CE0576B Beijing JINRONG SHIBAO in Chinese
24 Jun 92 p 1

[Article by Zhao Jian (6392 0256): "Banks Minimize Credit Risks"]

[Text] This reporter heard the following story in Shenzhen in early June. A firm sought to borrow a loan from a bank in the special economic zone [SEZ] in 1987. At the time when it wanted the loan, the firm was all eagerness, contacting the bank everyday. When time came to repay the loan, however, it first tried to play hide-and-seek with the bank personnel. When the latter got impatient, company workers went so far as to drive the bank personnel from upstairs to downstairs with a broom. When it was taken to court, the company argued with perfect assurance, "We borrowed from the state as a state enterprise. Does it make any difference whether or not we repay?"

Enterprises are so used to the state taking care of everything that some have lost sight of the most basic characteristic of borrowing from a bank: "You repay what you borrow, you pay for what you use." As soon as they run into some risk, they often consider it perfectly justifiable for them to pass it onto the bank, as in the case related above. Reflecting on every debt-related lawsuit filed by the banking community against enterprises in the past few years and analyzing closely the hidden risk in credit assets, people in the banking circles became thoroughly convinced that the application of risk management to credit assets has become a top priority.

Asset Risk Management Is Inevitable

So-called asset risk management refers to the managerial measures and practices taken by banks to prevent risk. In Shenzhen, first the municipal Bank of Industry and Commerce and then the Agricultural Bank started an experiment in asset risk management in 1991, both first in the nation at the time.

Manager Liu Jianting [0491 7003 1694] of the Bank of Industry and Commerce in Shenzhen told reporters that banks faced credit risk back in the era of product economy but the risk grew as the commodity economy took off and has gotten even more serious now. Take Shenzhen, for instance. For one thing, the zone's economy is daily becoming increasingly diversified. Here joint projects with the interior, the three kinds of

enterprises that are either partially or fully foreign-funded, and the private and individual economy play a more important part. These enterprises mostly take the form of cooperative ventures, joint ventures, and shareholding companies, making it more risky for banks to invest in them.

Second, most of the 30,000 enterprises in the zone are newly founded. According to state regulations, 30 percent of an enterprise's funds must be own funds. Here in Shenzhen, the ratio is only 10 percent on the average, so enterprises must depend on bank loans for the bulk of their production and circulation funds. Enterprises and banks are at risk together.

Moreover, enterprises in the zone are latecomers that have been growing rapidly. Their financial management is not as sound as that in their domestic counterparts. The zone is oriented toward two markets, domestic and foreign, and its economic activities are mainly regulated by the market. Many unpredictable market variables are at work here.

Besides, rapid economic growth in the zone has also meant fast growth in the banking industry. With the entry of a host of new players and new areas of business operations being opened up, banking management has failed to keep up with the growing industry. As a result, loans are easily lost track of, creating credit risk.

No doubt it is up to the state to make overall changes to remove policy-induced risk. However, there are business risk which the banks should resolve or prevent through management. It is precisely this consensus that prompted Shenzhen's Bank of Industry and Commerce and the Agricultural Bank to take the lead in introducing credit asset risk management.

Minimize "Risk" Using Quantitative Indicators

Marx once observed that only with the careful application of mathematics would a science reach perfection. The Shenzhen Agricultural Bank sent a delegation organized by the zone's People's Bank to Hong Kong to study the way the Basle Agreement was being implemented there. After the delegation returned to Shenzhen, the bank began a pilot project in "loan risk management to experiment with the use of quantitative indicators to minimize risk.

The Basle Convention, adopted in July 1988 in Basle Switzerland by the central banks of the member nations of the International Bank of Liquidation, is concerned with the unification of calculation of capital and capital standards by international banks. Under the agreement, financial institutions around the world must have a capitalization rate of 8 percent by the end of 1992. The intent is to spur the financial institutions to increase their amount of capital to reduce high-risk assets.

From practice the Agricultural Bank in Shenzhen learned that while the factors that determine the riskiness of a loan are ever-changing, there are two major

variables: misapplying the form of loan and choosing the wrong borrower. Taking a leaf from the book of foreign nations and relating it to the reality in Shenzhen, it has identified three coefficients: the first coefficient is the basic form of loan coefficient, the influence of the form of loan on the riskiness of a loan; the second is the enterprise credit rating variable coefficient, the influence of the borrower on the riskiness of a loan; the third is the state of loan transitional coefficient, the influence of the change in the state of loan on the riskiness of the loan. In reviewing a loan, the lending personnel first figure out the enterprise's credit rating, then its credit rating variable coefficient. The third step is to calculate the basic form of loan coefficient. Finally they multiply the basic coefficient by the variable coefficient to arrive at the riskiness of the loan.

Banks Operate as Enterprises

92CE0576C Beijing JINRONG SHIBAO in Chinese
25 Jun 92 p 1

[Article by Zhao Jian (6392 0256): "Banks Operate as Enterprises"]

[Text] It is all too common for people to confuse the functions of banks with those of the finance department. Actually there are major differences between the two. The finance department's main responsibility is to redistribute wealth in the interest of social equity. Banks, on the other hand, are mainly concerned to support the strong and limit the weak in the interest of efficiency. When this reporter was in Shenzhen, he discovered that banks in the special economic zone [SEZ] are not only loudly talking about some efficiency issues that interior banks still shy away from, but are actually doing something about them.

Even in the mid-section of Jianshe Lu in the Luowu area, Shenzhen's booming commercial district, International Financial Building, a silvery green structure with an all-glass exterior, is a standout. The Bank of China in Shenzhen, which just moved there, was founded upon the birth of the SEZ and thrived as the zone developed. Over the past 11 years, the bank's renminbi and foreign exchange credit funds have been growing faster than it has been able to use them, with the result that 100 percent of its credit funds are now its own funds. The bank's rate of profitability has been rising steadily, yielding an average annual rate of 74.2 percent, achieving the bank's operating goal of having a profitability rate higher than the increase in assets.

When it first opened, the bank was a mere branch bank at the border which only handled remittances from overseas Chinese and exchange transactions. Why then was it able to rapidly develop into a comprehensive full-service bank with an emphasis on the traditional foreign trade and foreign exchange business but offering a full range of commercial bank services as well in just 11 years?

"Self-balance, self-restraint, self-development, and self-assumption of risk," Li Zuoqi [2621 0146 3217], manager of the Bank of China in Shenzhen, answered the reporter's question with these four phrases. He stressed that in the final analysis the answer was bank commercialization. In other words, bank behavior must be linked to the profit motive. In that area the bank has carried out a string of reforms and experiments.

One reform is to break with tradition by setting up branches properly and expanding outreach to attract depositors. Without duplicating service points and while ensuring that each branch does a considerable volume of business, the Bank of China had increased the number of branches to 68 by the end of 1991, up from the original four. Last year these branches attracted a total of 3.6 billion yuan in miscellaneous renminbi deposits and \$660 million in foreign exchange deposits, more than 78 percent and 60 percent, respectively, of the bank's total renminbi and foreign currency deposits.

Another reform involves the use of science and technology to vitalize banking and the use of advanced tools to deliver services and stay competitive. The Bank of China in Shenzhen spared no expense to go computerized in return for even greater profits. In 1986, it introduced the nation's first computer network—the savings deposit and exchange network, linking all its service outlets in the municipality by computer. In late 1989, another two networks connecting both urban and rural areas in Shenzhen—the savings computer network and automatic teller machine network—were inaugurated. In addition, the bank started to offer computerized payroll services for almost 1,000 enterprises and accept payments on their behalf, achieving remarkable social benefits and notably improving the bank's efficiency as well.

The third piece of reform is to diversify and internationalize operations and strive to grow amid fierce competition. In Shenzhen, the Bank of China's competitors are not limited to domestic banks but also include numerous foreign-funded institutions. With courage and resolve, it worked to establish closer ties with the international banking industry. At present the Bank of China accounts for 70 percent of the city's total volume of business in international accounts settlement each year and is an influential player on the stock exchange. It has been fairly effective in putting together or participating in syndicated loans and joint loans and in offering shareholding loans and secured loans whether in terms of raising construction funds or making a profit for the bank.

Reducing credit risk is inseparable from improving the bank's margin of profit. The Bank of China in Shenzhen has become more and more aware of this in its operations. Back in 1982, the bank already took the lead in making the zone's first secured loan. Between 1987 and 1990, it issued the zone's largest secured loan, the Dayawan nuclear power plant capital stock loan. The loan was secured with deposit receipts in the dollar by

the Guangdong Nuclear Power Jointly Operated Company, Ltd. In all the Bank of China lent the company over 600 million yuan, a powerful boost to the first phase of the project. These days enterprises are getting used to secured loans after finding them bothersome at first. At the moment, foreign exchange, spot exchange, and fixed deposit receipts are gradually being joined by equipment, plants, commercial or residential real estate, stock, commodities, and marketable securities as security. Meanwhile, among the international syndicated loans organized by the Bank of China in Shenzhen or those in which it took part, some have as many as 16 partners, some as few as four. Altogether there were six loan packages involving a total of \$132 million. By sharing the risk, the banks effectively made the loans less risky.

This string of reforms has given the Bank of China in Shenzhen a self-supply rate of at least 80 percent in credit funds. Before 1987 the bank consistently took in more deposits than what it lent out and this remains true even today. It turned over almost 400 million yuan in profit to the government in 1991, up from 780,000 yuan in the year in which it opened for business.

Be that as it may, comrades in the Bank of China in Shenzhen think that strictly speaking the reform measures already under way still belong in the planned economy. The external application of such methods as indicators, quotas, and ratios in an attempt to impose "basket" management on credit funds does not do anything to inspire thoroughgoing reform in the restraining mechanism within banking institutions. Particularly defective is the mechanism for "self-development." With a view toward commercializing their operations, they propose, banks in the SEZ should stress their profit motive, make full use of all economic tools to indirectly regulate and control the imbalance between the supply and demand of credit funds, take advantage of the necessary wherewithal for running a bank and indicators of economic performance to check the unlimited expansion of the scale of credit, and use the interest relations created by a preferential banking policy to guide the adjustment and optimization of the mix of bank assets.

Linking bank behavior to the profit motive...a big topic now facing banks in the zone and in the interior.

Controlled But Speedy Growth

92CE0576D Beijing JINRONG SHIBAO in Chinese
26 Jun 92 p 1

[Article by Zhao Jian (6392 0256): "Banks' Controlled But Speedy Growth"]

[Text] It is no exaggeration to describe the rapidity with which banking has been developing in the Shenzhen Special Economic Zone [SEZ] as "drastic."

Let us look at its physical presence first. The soaring 30-story International Financial Building, which houses the Bank of China in Shenzhen, is the tallest structure in

the nation's banking industry today. The 29-story Bank of Industry and Commerce Building, the Construction Bank Building, which is equally tall, and Jingdou Hotel are the three legs of a tripod. Across the street, construction is in full swing on the Agricultural Bank Building, seemingly poised to overtake the Bank of Industry and Commerce Building and the Construction Bank Building. Other buildings in the zone housing the People's Bank, Communication Bank, Mercantile Bank, Development Bank, and Zhongxin Industrial Bank also have their own characteristics and are special in their own ways. In contrast, there were just two or three small border banks in Shenzhen 10 years ago.

Now let us turn to business development. Take the Bank of Industry and Commerce in Shenzhen, for instance. Between 1984, when it opened its doors, and 1991, the bank's business outlets increased from 12 to more than 80, and the number of employees rose from 300 to over 2,000. Its total credit assets grew from 1.6 billion yuan to almost 10 billion yuan, up 32 percent annually. Its assorted deposits grew 6.2 billion yuan, or 7.2-fold, its loans increased by 4.5 billion yuan, or 3.8-fold. It realized a profit of 370 million yuan in 1991, up 13.4-fold. Other banks have seen their volume of business increase at an equally stunning rate. Already Shenzhen's total credit funds exceeds that of some provinces in the interior.

"One word—fast—sums up both the strength and the weakness of Shenzhen's banking industry," so said the youthful manager of the Construction Bank, Hui Xiaobing [1920 1420 0365], without mincing words. He said with feeling, "Hong Kong will be returned to the motherland in 1997 and the Shenzhen economy will be integrated into the international economy. Banking will be the bridge linking Shenzhen with the world. Can we afford to dilly-dally? But if banking develops too rapidly and management fails to keep pace, chaos will inevitably result. And once banking is thrown into chaos, so will the economy. More haste, less speed. Thus, 'speed' should not be separated from 'management.' Both are indispensable."

While gathering materials for my story in the offices of the Construction Bank in Shenzhen, this reporter came across a tome entitled "Objective: All-Service Bank." A cursory examination of the book, edited by the Construction Bank itself, reveals its achievements during those years of rapid growth. The Construction Bank of Shenzhen had several firsts to its credit among the nation's family of construction banks. It was the first bank to offer cash and savings services, the first to do business with industrial and commercial enterprises on a large scale, and the first to enter international banking. It was the leader in per capita deposits. And for several years it had more deposits from enterprises than any other specialized bank in Shenzhen. Even as this writer was working on this article in Beijing, the latest word from the SEZ was that deposits at Construction Bank broke through the 10 billion yuan barrier on 10 June this year, up 44.6 percent from the beginning of the year, which

put it at the top of all construction banks in municipalities with province-level decision-making authority in the nation and of all specialized banks in Shenzhen.

On the other hand, the Construction Bank of Shenzhen has also experienced some serious difficulties brought on by the failure of bank management to keep pace with rapid growth. In 1986 lending by the bank got out of hand and it failed to balance its funds for as long as one year. The number of delinquent loans went up year after year. The amount of uncollected interest soared. At one point cases involving violations of economic laws seemed to be rising.

Faced with this situation, the Construction Bank of Shenzhen tackled bank management as a top priority. Starting with the opening of accounts, guarantee, letters of credit inspection, proportional fund management, and finance management, it has improved the internal management system and tightened the advance supervision system. It has inspected and amended the contract plan and all contract targets and strictly practices qualitative evaluation and accounting evaluation as day-to-day supervision. In 1989 it set up an inspection office, made public the way it operates, and submitted itself to supervision by the masses and society. It strictly investigated and handled cases in which law or discipline were broken. It experimented with the cadre appointment system at the grass roots and promptly shook up the leading group to strengthen after-the-fact supervision.

To improve management, one must first do a good job in legislation and the enforcement of legislation. In 1991 the Construction Bank of Shenzhen reviewed all rules and regulations, amending and tidying up a total of 210 articles in 14 major categories. In addition, 34 new articles were formulated to deal with new problems. It compiled a booklet "information for employees" containing almost 20 articles to give every office and section a more complete responsibility system. "Collection of Delinquent Loans Assessment Methods" and "Collection of Interest on Loans Assessment Methods," prepared by the credit and lending office, have proved markedly effective in lowering the percentage of bad loans and the amount of unpaid interest. The business section of the bank links the completion of each worker's work load to the level of profit, thus further intensifying his sense of responsibility and enthusiasm for work. The gratified leader of Shenzhen's Construction Bank told reporters, "Last year we wrote more than 200 regulations and saw our volume of business go up one-third and the number of cases decline 70 percent. Deposits exceeded loans by 2 billion yuan."

Facing the Bank of Construction Building at a distance is the Yuehai Group Building, which houses the railroad branch of the Construction Bank. Between 1 August 1985, when it opened for business, and the end of April this year, this particular branch lent out a total of 2.4 billion yuan without making a single bad loan. A very interested reporter asked Huang Bailong [7806 0130 7893], chief of the credit and lending section of the

railroad branch bank and a former soldier, what the secret was. His answer was three-fold. First, select credit and lending workers in accordance with this principle: willing to work hard, diligent in running errands, conscientious, and honest. Second, tighten up the lending system. Stay away from deferred payment loans. Don't make loans that will be used to pay off existing debt. In principle do not lend money on credit but only make loans secured with real estate. Over a six-year period, the rate of loan delinquency averaged 7.49 percent consistently lower than 10 percent, itself a reasonable ratio. Third, it is most critical that the leaders set a good example. The manager of the branch bank eschews command lending. Instead he makes known the lending procedures and practices collective decision-making. Examination and approval takes place at three levels and assessment is by target. If there are no leaders strictly enforcing the rules, even the most rigorous system will be useless." This saying by Huang Bailong is indeed food for thought.

As an example of bank management in a SEZ, the experience of the Construction Bank in Shenzhen still has many weaknesses that must be corrected institutionally. Nevertheless a new self-restraining mechanism for banks is taking shape. In this reporter's opinion, since the banking law so eagerly awaited by the nation's banking community has yet to be unveiled, the bold experiments by SEZ banks in negotiating the transition from the rule of man to the rule of law should be studied and emulated by comrades in the banking community.

FOREIGN TRADE, INVESTMENT

Trade Relations With Israel Analyzed

TA200815292 Tel Aviv *HA'ARETZ* in Hebrew
20 Aug 92 p 3

[Article by correspondent Judy Meltz]

[Text] Despite the trade agreement between Israel and China that was initialed yesterday, Israeli economic circles have no expectations for a breakthrough in the scope of Israeli exports to this giant country. True, there are more than 1.1 billion residents in China, but its import totals from around the world only reach \$60 billion per annum—half of what Israel imports, with less than 5 million residents.

The main thrust of Israeli exports to China is comprised of applications and agricultural technologies, and medical equipment. In the last two years, the scope of this export has increased from a few million dollars to about \$30 million. The scope of Israeli imports from China is almost zero. The reason for this is that, until now, China appeared on the Israeli "black list" of countries whose exports are subjected to severe restrictions. Some of the countries on this list are hostile states, and the rest are countries that limit imports from Israel. Within the framework of the agreement, China will be removed

from this list. Over the past two years, Israel has concluded similar agreements with most East European countries.

One of the reasons that China was interested in opening negotiations on a trade agreement with Israel was the Israeli free trade agreements with the United States, the European Community, and the States of EFTA [European Free Trade Association]. The United States, for example, posts many restrictions on imports from China—and therefore, the Chinese are searching for alternative ways to enter the American market. Just as Israel can serve China as a bridge to the United States and Europe, the hope in Israel is that China can bridge between Israel and the states of Southeast Asia such as Korea [as published] and Vietnam.

Thus far, the majority of Israeli exports to China have been carried out via Hong Kong. Because of the difficulties inherent in obtaining entry visas to China, language problems, and other reasons, Israeli firms have preferred to work with local agents in Hong Kong, or via Israeli trade companies such as Koor-Trade.

In China today, Koor-Trade represents Scitex, Netafim, ICA Telecom, Orbot Laser Industries, Makhteshim, the Kibbutz Industries, and the Organization of Poultry Breeders. Another factor working for many years toward the advancement of Israeli exports to China is the Eisenberg Group. Today, it represents—among others—the Dead Sea Works, which is the largest exporter to China.

Discussion on Content, Popularity of Short Story

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[LITERARY WORKS AND CONTENTION]
in Chinese No 5, 17 May 92 pp 56-58

[Article by Dong Fang (5516 2455) and Wang Ming (3769 2494): "A Random Discussion on 'A Chinese Woman in Manhattan'"]

[Text] Dong: After "A Pekingese in New York," by Cao Guilin [2580 2710 2651], caused a sensation, "A Chinese Woman in Manhattan," by Zhou Li [6650 0536], selected portions published in the SHIYUE [OCTOBER] magazine from January this year, has again attracted great attention among readers. People eagerly tell each other about it. Young readers in particular rush to buy copies of the magazine. It is like a "fever" spreading all over the capital city. What do you think about this phenomenon?

Wang: Yes, it is a literary "fever" not often seen in recent years. In the late 1970's and early 1980's, similar literary "fevers" occurred repeatedly. During that period, many newly published literary works won immediate acclaim, even created a furor, for example, "The Teacher in Charge of the Class," "Factory Director Qiao Takes Over," "When a Man Reaches Middle Age," and so forth. However, after the mid-1980's, the literary "fever" gradually subsided. Pure literature in particular was sneered as "hot inside the literary circles" but "cold outside." Surely some works of factual and popular literature were "hot" for a while. Then there were cries everywhere about the literary stagnation. In the last 2 or 3 years, there has been a gradual increase in good film, television, theatrical, and reportage writings, but literature apparently still has not gained the prominent position it deserves. What appeals to the reading public remains factual accounts, including biographies. "A Pekingese in New York" and "A Chinese Woman in Manhattan" belong to this genre.

Dong: But these two books seem to be more attractive and "hotter" than other biographic works. Why?

Wang: The reason lies perhaps not so much in any exceptional literary value of the two books as in the psychology of the readers. Of course, I am not saying that they are of a low literary standard. In all fairness, it is no small accomplishment for any amateur writer to write a book at even this level. However, I think the reason these two works are especially "hot" has something to do with the psychology of the large number of young readers who dream of getting rich and going to the United States. Since the beginning of reform and opening to the outside world, many people have tried to get rich, and there is no lack of upstarts in China. However, many feel dwarfed, comparing with those who have millions and tens of millions of dollars. "Men will try to climb up the social ladder." It is a universal social psychology. In the biographic works, the heroes or heroines went to the United States and became very rich in just a few years. How did they make their fortune after all? It is naturally a matter

of great interest to many young people who also dream of getting rich. And what is the United States, the most developed capitalist country, really like, and how can it be so easy for people to make a fortune there? These are things that are bound to be interesting to readers.

Dong: I do not agree completely with your analysis of the readers' psychology. From an esthetic acceptance viewpoint, literary "fevers" of one kind or another are always related to the readers' psychology, which often reflect the pulse and needs of the times. But there are all kinds of readers in China, and all of them do not dream of getting rich or going to the United States. Perhaps there are other reasons to be explored why "A Chinese Woman in Manhattan" has been so well received and has touched readers ideologically and emotionally. I think the most important thing in works of literature is truthfulness, not partial but complete truthfulness. The artistic worlds of images presented by all truthful works of literature inevitably contain messages of one kind or another, and are as meaningful as real life. Moreover, the writer's feelings and attitude in appraising reality must also be shared by the readers so that they will recognize the writer's thinking and feelings as their own. The most outstanding characteristic of works like "A Chinese Woman in Manhattan" and "A Pekingese in New York" is their truthfulness. Cao Guilin regards New York as both heaven and hell. That very accurately represents the true face of a big city in the most developed capitalist country of our time. A city like New York is paradise for the rich, but hell for the poor. For the civilization of luxury it possesses, it is paradise, but considering the fierce competition, cheating, swindling, seizure by force or trickery, and all kinds of criminal activities going on in there, it is hell. If you only look at one side, you are not seeing the United States and a modern capitalist society. "A Chinese Woman in Manhattan" describes how a woman made a fortune, joined the ranks of American tycoons and began a life of luxury and extravagance. But it also gives an account of how she struggled at the bottom of life, was deceived in business, fell into traps, almost suffered a heart attack, etc., enabling people to see all aspects of American society. Thus it is more objective and more likely to allow the readers to gain a more complete understanding of American society, and is significant as a textbook on life. Even more commendable, the writer expresses her own views via the woman in the book. She is an honest, patriotic, and self-respecting person who still keeps the Chinese people's traditional Oriental virtues. Thus she has touched the hearts of the vast numbers of Chinese readers and gained their recognition and sympathy, psychologically and emotionally. We cannot fail to see that the book owes much of its success to these reasons.

Wang: Sure, what you said is not unreasonable. But, I still have doubts about the tendency of this kind of work, which seems to make the readers feel that only in the United States is it possible to effectively bring an individual's ability into play, to really achieve an individual's worth, and to make a fortune if one works for it.

However, the actual conditions are probably not entirely so. In the past 10 years or more, tens of thousands of Chinese, including students, have gone to the United States from Mainland China, but only a few have made a lot of money after all. Many are still struggling at the bottom of society, working as housekeepers, proof-readers, or, higher up, as editors, reporters, professors, and researchers, and are far from being rich. Americans are not lazy. On the contrary, the overwhelming majority are hard-working people. But after all, only a small number can ever become capitalists, rich and powerful big shots. The question here is not only one of ability and effort, but also of opportunity. Under a social mechanism of fierce competition, with big fish eating small ones, those who can move up the social ladder do not always do so because of unusual ability and extraordinary effort, although the hope to move upward is even slimmer for those who are neither talented nor willing to work, unless they are born to a rich and powerful family with a good father. Moreover, there is also a question of value. If the capitalist concept of value is used, and a person's value is measured only by the amount of money he makes, then of course, only multimillionaires and billionaires are more likely to achieve their own high value than ordinary people. However, judging by the socialist concept of value, a persons' value should be in direct proportion to his contribution to the people. Take Qian Xuesen [6929 1331 2773] for example. Years ago he was earning a high salary in the United States. If he had not returned to China, he certainly could have accumulated a big fortune and perhaps become another Wang An. But he returned to China, made great contributions to the people, and sent China's rockets and satellites up into the skies, which greatly boosted the Chinese people's morale, increased the motherland's prestige, enhanced China's international standing, and gave a powerful impetus to China's rapid advance in modern science and technology. He has not become rich, but the people think highly of him and hold him in great esteem. Can anyone say that he has not fully attained his own value? To me, this value is immeasurably greater than the value of being a rich man in the United States, like Mount Taishan compared with a pile of earth. Of course, I have no intention of negating Zhou Li's value here. Zhou Li is commendable in that she hasn't just sought money. In her world, money is not the only thing that is most important and means everything. From a personal perspective, she has certainly attained her own greater value. At the same time, she has indeed also made certain contributions to promoting Sino-U.S. trade. Therefore, I hope that readers of "A Chinese Woman in Manhattan" should have a more comprehensive concept of value.

Dong: I think that today when China needs to go further in reform and opening to the outside world, "A Chinese Woman in Manhattan" is of rather important practical significance. The economic integration of the world has already become an inevitable historical process. It can be said that today no country can do without trade, without exchanging needed goods with other countries. Trade

has become an important lever for economic development. China is committed to developing a planned commodity economy and particularly an export-oriented economy in its coastal areas, and foreign trade has become all the more important. This is a new front, a new battlefield, which we were unfamiliar with in the past, and in which we must invest more and more manpower from now on. As a textbook on life, and first of all a textbook on commerce, "A Chinese Woman in Manhattan," through descriptions of Zhou Li's successes and failures and the difficulties she faced in doing business, gives the readers a great deal of valuable business knowledge, particularly knowledge in trade with capitalist countries. This is of extremely great practical significance.

Wang: Of course. I think we should also see that "A Chinese Woman in Manhattan" has contributed to the development of Chinese literature by bringing up a new subject matter. In a certain sense, it can be said that it has introduced a new kind of person and a new world. Since the beginning of the new period, literature about Chinese students abroad has grown notably, but "A Chinese Woman in Manhattan" seems to be the first portrayal of a Chinese student abroad who has started a business and made a fortune. The heroine in the book also represents a new image, even a new type, in the gallery of Chinese literary figures. The image of an educated urban girl who went to work in the countryside and mountain areas and grew up to become a female capitalist with Chinese characteristics reflecting her times is unprecedented in Chinese literature. It is like the transformation of the ugly duckling into a white swan everyone admires. Characters like her have a specific universal significance. This is a Chinese in the United States who has absorbed many American ideas, but the fine qualities of the Chinese people like diligence, courage, honesty, and straightforwardness stand rock-firm in her basic character. Such an image is not without transcendental significance to world literature. It shows the historical reality of the great convergence and mixing of mankind in the present era.

Dong: I agree but I want to add that to the Chinese readers the world unfolding before Zhou Li is indeed an entirely new world, a strange world. I believe that with the further deepening of reform and opening wider to the outside world, there certainly will be more writers to write about similar new characters and the new world, and this kind of literary works undoubtedly will play an irreplaceable role in broadening the readers' field of vision and spurring us to achieve better and faster results in building socialism. Besides, what is your opinion on the artistic characteristics of this book?

Wang: Because I have only read a part of the published portions, it is very difficult for me to give an accurate opinion on the ideological content and artistic characteristics of the entire book. Based on the portions I have read, I think the writer is gifted. Although there is more recounting of events than portrayal of characters, the writer does have an artistic sense and is very skilled in

the use of words. She writes in a clear and fluent style, is succinct in recounting events, is descriptive in expressing emotions and describing scenes, and there is an elegance in sentiment and atmosphere. From a literary perspective, it is readable and keeps the readers interested and does not rely entirely on the novelty of the story and characters themselves to attract readers. Because the published portions involve a lot of business activities and recounting of past events, some passages are dull and uninteresting, and it seems that the heroine's inner world is not revealed adequately in a richer, more complex, and more three-dimensional manner. Therefore, the images of characters seem less than fully developed, especially those other than the heroine. Maybe this is not a shortcoming of the book as a whole, and when the readers have read the whole book, their impression can be entirely different.

Dong: Judging by the published portions, I think that the portion describing the heroine does have depth, and the image is also quite distinctive. Others, like her husband Mike, the Chinese lecturer who obtained his quota but did not know how to sell it, the foreign trade cadre Mr Xu who worked hard but still got transferred, and the female cadre Liu Zhan who was arrogant, had no respect for others, and refused to pay her debts, are also given a lifelike, though brief, portrayal. This shows exactly the writer's talent. What do you think?

Wang: Well, different people have different views. The readers may have other different views of their own. Let more readers decide.

Psychological Obstacles to Women Becoming Leaders

92CM0358A *Shanghai XIANDAI LINGDAO [CONTEMPORARY LEADERSHIP]* in Chinese
No 3, 25 May 92 pp 14-15

[Article by Wei Qun (7279 5028), director of the Propaganda Office, Department of Propaganda, Shanghai Municipal CPC Committee: "The Psychological Barriers Women Face and How To Guard Against Them"]

[Text] Progress in social development and the emancipation of women have given powerful impetus to group after group of female cadres taking positions in the political forum and the business world. Using their own special work style and charm, they have shaped a fine image of the new woman. However, because of the power of traditional customs and certain psychological barriers, the potential of some female leaders has not been fully tapped. Their advance along the road of personal independence and self-reliance has been beset with difficulties. Scientific analysis of the features of these psychological barriers, and efforts to eliminate and guard against them as a means of developing female leaders as well as for women to play an increasingly illustrious and positive role in social life may be said to be of crucial importance.

Just what psychological factors are psychological barriers to female leaders?

The first factor is the psychological conflict between their growing awareness of being able to make their own decisions and their lack of self-confidence and strong sense of dependence.

Most female leaders have substantial scientific or cultural knowledge or technical ability. Modern cultural education has speeded up the development of female leaders' awareness of their ability to stand on their own two feet and be self-reliant. Certain successful experiences have also reinforced their belief that they should "dare to compete with men for position." They pursue a philosophy that a "woman's innate talents must be used." They do not want to give up opportunities to demonstrate their own abilities, and they are not averse to succumbing to the intense desire to compete in the arena with other capable people. However, when they feel burdened with work, and when they become mired in a situation in which they can neither advance or retreat, their previous feeling of being able to stand on their own two feet often wavers. Nameless self-doubts begin to grow: "Am I up to it?" "Can I do it?" "Had I known things would be this hard, would I have taken on such a tough assignment in the first place?" Worries beset them. As a result, some retreat, asking that others be found to take their place. Some secretly seek the assistance of men they admire and respect. Some may be filled with anxieties and are uncertain as to what to do. The conflicting desire to stand on one's own feet and to be self-reliant and the inability to realize this desire troubles a substantial number of female leaders, making them unable to advance and keep up with men.

The second factor is the conflict between the desire for a good job and rather weak control over their own emotions.

Decency and warmheartedness, bountiful love, and being forward-looking toward the future are basic psychological traits of Chinese women that are reflected in female leaders in the following ways: bountiful dedication to their work, a sense of responsibility, patience, constancy, and the fine desire to do a good job. They unstintingly work hard in their fields of responsibility, and feel ashamed if they should fall behind. They always strive to build complete and ingenious work goals. They long to build closeness and good will with those with whom they work with, shaping healthy interpersonal relations of mutual respect and honesty. When their efforts are crowned with rich rewards, they are willing to share with their companions the joy that honor brings. Of course, everyone is aware that there is many a slip between the cup and the lip, and that an extremely daunting transformation is required. During this process, various annoyances will likely be encountered because, along with excellence in work, one may be dogged by gossip. Sometimes, a person's warmheartedness may not be understood by others, or it may be misunderstood as a "hypocritical show of friendship" for

inexplicable reasons. Sometimes, one's well thought out ideas and ingenious plans may be turned down by others for no reason at all. All these things may very greatly hurt the psychology of well-intentioned women, causing great swings in their emotions. Although they are frequently able to bear hardships, they cannot suffer injustice. When they treat others with sincerity, they want others to deal honestly with them too. However, once they are deceived or encounter mishaps, they may frequently exhibit agitation or become disheartened. They may secretly vow in their hearts that "henceforth I'll be smarter; I will never do such a 'stupid thing' again." However, a careful observer may discover that even though these female leaders may be down in the dumps for a time, spurred by the instinct to get ahead, once the outside world's "climate" becomes moderate, they will once again be encouraged by a spirit of winning out to try to find new work opportunities.

Third is the conflict between the desire to participate actively and rigid adherence to convention

Female leaders look forward to returning to society and mankind, the different kinds of knowledge and skills that they have obtained from society, demonstrating their value by making contributions, and honing their talents through participation. They do not want to lag behind the fast pace of their contemporaries; they expect to increase their own "standing" by means of stiff competition. Unfortunately, the psychological traits of women limit the ways that some female leaders behave. Sometimes, they are too greatly preoccupied with their own dignified and retiring image, overlooking the normal display of skills that they have possessed all along. They listen extremely respectfully to the lofty sentiments of those whom they respect, and overlook the development of their own potential. They even hold back or restrain themselves because they feel that they are not very mature or experienced. Unless they can extricate themselves from the conflict between rigid adherence to conventions and their desire to take part in social practice, female leaders will be bound for a long time by countless "immediate concerns" and be unable to move exuberantly to display their own talents to the fullest.

The fourth factor is the conflict between devotion to work and a sense of responsibility, and the troubles of onerous family burdens.

Unlike male leaders, female leaders play diverse social roles. Not only are they leaders, but wives and mothers as well. A first-rate female leader knows very well that the simultaneous playing of these several roles is not only a moral requirement that society places on her, but also something that she herself desires in her heart. However, just as popular speech depicts a man as "not able to be completely loyal to his superiors and filial to his parents at the same time," expecting a woman to be a good leader, a good wife, and a good mother all at the same time is somewhat excessive. Some female leaders also frequently find themselves in a predicament of not being

able to handle both a job and a home. They are frequently unable to find a balance between their social responsibilities and their family responsibilities, becoming vexed and discontent as a result. When they put too much of their energies into their job, they may be taken to task and domestic troubles may ensue over their roles as wives and mothers. When they put too much time into their family, they feel uneasy about having shortchanged the career in which they are interested. The foregoing psychology resulting from the numerous roles of female leaders are frequently not discernible, but many female leaders know in their hearts that devotion is positively not enough to sustain their dual social and family burdens. They must improve their overall psychological traits and their professional capabilities; otherwise, these conflicts will very likely impede female leaders' progress, or may mercilessly overwhelm them.

What can be done to eliminate female leaders' psychological barriers and effectively guard against them?

First, there is the need to be broad-minded and to not allow oneself to be bothered by idle gossip

Women observe carefully and have subtle feelings; thus, they frequently worry excessively about the criticism and impressions of others. This makes them look down at their feet instead of lifting their heads and forging ahead. Actually, criticism behind a person's back follows him or her throughout life. Regardless of a person's way of life or conduct, he or she will also be criticized by others. Smart people keep their eyes straight ahead and place the criticism of others in the back of their minds. Surprisingly, when one is not petty, minds his or her own business, acts properly, and attains success, gossip naturally abates. Conversely, when one pays too much attention to the comments and criticisms of others, and particularly when a person broods for a long time about others views of oneself, he or she is actually being led around by others, and turns the initiative for his or her life into the hands of others.

Second, there is the need to use set goals to regulate oneself.

In order to get out of certain predicaments and move ahead, female leaders must find a psychological balance, meaning a battle plan that they set for themselves. They can then use this self-made image to regulate the amount of time and energy that they devote to different tasks, thereby controlling their own emotional world, managing the conflict between society and family, and building up their own self-confidence. Of course, the image that an intelligent female leader develops in her mind must be compatible; it must be both highly personal and in tune with the times. For the woman, this image must be a goal to be forever followed, but not one that is so high that it is unattainable. Such an image is somewhat abstract; it is also both lofty and fresh in style. Nevertheless, it must also be concrete and functional. By employing such a self-made, completely new image as the goal for the complete regulation and scheduling of

one's own activities will make one's life happier, and one's work more intelligent. One's personality will be able to develop fully.

The third is to make the most of the strengths of one's gender to make up for weaknesses in temperament

I remember that Lenin said that a person's weaknesses are frequently the inappropriate extension of a person's strengths. Therefore, the best way to compensate for weaknesses in temperament is make the most of one strengths in temperament. For example, female leaders can fully employ the advantage of their gender in that they are adept at understanding people's desires and have empathy by which to win people's minds, inspire people's feelings, and move ahead with work. They can fully use their good, warmhearted temperament to influence people, unite people, and stimulate people. They can also employ their subtle feelings, their conscientiousness in performing tasks, and their engaging work style to achieve real results in work. Certain work concepts and ideas of female leaders who are good at mental images and are richly endowed with imagination can lend an emotional coloration, a vitality, and a human touch to certain work or educational activities.

Finally, there is a need enrich and develop oneself, increase one's self-confidence, and increase the ability to make one's own decisions

Capable female leaders fully understand that the pyramid of self-confidence and standing on one's own two feet is built on a "solid and steadily developing ego." Only real quality and stature can be convincing and can enable the fashioning of one's life, vocation, and study into a fitting geometric figure. The process of enriching and developing the ego is a process of constant transformation and negation of the self—a negation of the "old self," and a transformation of all harmful elements. Thus, the quality of the "ego's" life will naturally improve. For most female leaders, broadening of the mind, the setting of goals, and strengthening of the will may be more important than anything. A firm grip on these three elements, and steadfastness in applying them will mean an increase in their stature, greater facility in their handling of things and dealings with people, and a sense of being able to achieve success in many ways. The feelings of inadequacy and inferiority that have been built up over time in the depths of women's souls will gradually be cast out to be replaced by a fine image of a new woman, open and expressive, who is constantly striving to improve.

State Regulations for Police Ranks

*OW1107214692 Beijing XINHUA Domestic Service
in Chinese 2115 GMT 1 July 92*

[“Regulations of the People's Republic of China on the People's Police Ranks Adopted by the 26th Meeting of the Standing Committee of the Seventh National People's Congress on 1 July 1992”]

[Text] Chapter I. General Principles

Article 1. These regulations have been formulated in accordance with the Constitution in order to intensify efforts at revolutionizing, modernizing, and regularizing the people's police forces; to heighten the sense of responsibility, honor, and organizational discipline of people's police; and to aid in commanding, administering, and carrying out the duties of the people's police.

Article 2. A rank system shall be implemented among the people's police. Ranks shall be enforced among the Chinese People's Armed Police Force pursuant to Article 32 of the "Regulations on Military Officer Ranks for the Chinese People's Liberation Army."

Article 3. Police ranks are designations, symbols, and state-awarded honorary titles that differentiate the grades and indicate the status of the people's police.

Article 4. Ranks for people's police shall be assigned on the basis of job grades.

Article 5. A people's police officer with a higher rank shall be the superior of one with a lower rank. Where the duties of a higher-ranking people's police officer are subordinate to those of a lower-ranking one, the officer who performs higher-level duties shall be the superior.

Article 6. The Ministry of Public Security shall be in charge of functions relating to the people's police ranks.

Chapter II. Grading of Police Ranks

Article 7. People's police ranks shall be divided into the following five categories and 13 grades:

- (1) Inspector general and vice inspector general;
- (2) Police inspector: first, second, and third grades;
- (3) Police superintendent: first, second, and third grades;
- (4) Police staff officer: first, second, and third grades; and
- (5) Policeman: first and second grades.

The ranks of people's police performing professional duties shall be preceded by the designation "professional-duty."

Article 8. The police ranks of people's police performing administrative duties shall be assigned on the basis of the following job grades:

- (1) Ministerial-level position: Inspector general;
- (2) Vice ministerial-level position: Vice inspector general;
- (3) Departmental (bureau)-level position: First- and second-grade police inspector;
- (4) Departmental (bureau)-level deputy position: Second- and third-grade police inspector;

- (5) Division (bureau)-level position: Third-grade police inspector and second-grade police superintendent;
- (6) Division (bureau)-level deputy position: First-[as received] and third-grade police superintendent;
- (7) Section (bureau)-level position: First-grade police superintendent and police staff officer;
- (8) Section (bureau)-level deputy position: Second-grade police superintendent and police staff officer;
- (9) Section member (police chief): Third-grade police superintendent and police staff officer; and
- (10) Staff member (policeman): First-grade police staff officer and second-grade policeman.

Article 9. The police ranks of people's police performing professional duties shall be assigned on the basis of the following job grades:

- (1) Senior professional post: First-grade police inspector and second-grade police superintendent;
- (2) Mid-level professional post: First-grade police superintendent and second-grade police staff officer; and
- (3) Junior professional post: Third-grade police staff officer and first-grade policeman.

Chapter III. First Time Conferment of Police Ranks

Article 10. Ranks shall be conferred on people's police according to their job grades.

Article 11. People's police shall be assigned ranks on the basis of their current duties, political integrity, professional proficiency, lengths of service in current posts, and terms of service.

Article 12. People's police who are recruited from among graduating students, drafted from society, or transferred from other departments shall be assigned police ranks according to their specific duties.

Article 13. First-time conferment of ranks on people's police shall be approved along the following lines of authority:

- (1) The ranks of inspector general, vice inspector general, and first- and second-grade police inspector shall be conferred with the approval of the State Council's premier.
- (2) The ranks of third-grade police inspector and police superintendent shall be conferred with the approval of the minister of public security.
- (3) The rank of police staff officer shall be conferred with the approval of the director of a provincial,

autonomous regional, and municipal public security department (bureau).

- (4) The rank of policeman shall be conferred with the approval of the political affairs director of a provincial, autonomous regional, and municipal public security department (bureau).

Ranks shall be conferred on police staff officers and policemen at Ministry of Public Security organs and organizations directly under them with the approval of the director of the political department of the Ministry of Public Security.

Chapter IV. Upgrading of Police Ranks

Article 14. A people's police officer with a rank below second-grade police superintendent shall be promoted as far as his job grade allows at the times and on the conditions stipulated in this article.

Promotion time: A people's police officer shall be promoted to each higher grade every three years from second-grade policeman to first-grade police staff officer and every four years from first-grade police staff officer to first-grade police superintendent. The time that an incumbent people's police officer undergoes training in relevant academies shall be deducted from the promotion time.

Conditions for promotion:

- (1) Enforcing state laws, regulations, and policies and observing disciplinary rules and laws;
- (2) performing duties competently; and
- (3) staying in touch with the people, performing duties honestly, and maintaining an upright work-style.

When promotion time comes around, those who meet these conditions shall be promoted to immediate higher grades after undergoing an evaluation. The promotion of those who fail to meet the conditions shall be delayed. Those who perform brilliantly on the job may be promoted ahead of time.

Article 15. A people's police officer with a rank above first-grade police superintendent shall be tapped for promotion as far as his job grade allows and on the basis of his political integrity, professional proficiency, and job performance.

Article 16. A people's policeman whose duty is upgraded but who holds a rank below the lowest one for his new post shall be promoted to that lowest rank.

Article 17. A police staff officer may be promoted to the rank of police superintendent only after he has passed training at a corresponding people's police academy. The same is true when a police superintendent is promoted to police inspector.

Article 18. The provisions regarding the authority of approval outlined in Article 13 shall apply to the authority for approving the promotion of people's police. The advance promotion of a police staff officer or a policeman shall be approved by the director of the political department of the Ministry of Public Security.

Chapter V. Retention, Reduction, and Revocation of Police Ranks

Article 19. A retired people's police officer shall be allowed to retain his rank but shall not be permitted to wear insignia.

A people's police officer who is transferred away from his police assignment, who resigns his post, or who is relieved of his duties shall not be allowed to retain his rank.

Article 20. A people's police officer who is assigned to a lower-level job because he cannot perform his current duties competently shall be demoted to the highest rank for his new duties. The authority for approving the readjustment shall be the same as that for approving the original rank.

Article 21. A reduction in rank shall be meted out to a people's police officer who violates police discipline. The authority for approving the reduction shall be the same as that for approving the original police rank. The promotion time for a people's police officer who incurs a reduction in rank shall commence anew after the demotion.

A reduction in rank for a people's police officer is not applicable to second-grade policemen.

Article 22. The rank of a people's police officer shall be revoked when he is relieved of his public duties.

The rank of a people's police officer shall be revoked when he is legally deprived of his political rights or sentenced to a fixed prison term for violating the law.

The preceding paragraph shall apply to a retired people's police officer who commits a crime.

Chapter VI. Supplementary Provisions

Article 23. These regulations shall apply to police ranks for the people's police at departments in charge of national security and labor-based correctional and educational programs. They shall also apply to police ranks for judicial police at people's courts and procuratorates.

The authority for approving the conferment of police ranks and the promotion of people's police at departments in charge of national security and labor-based correctional and educational programs shall be stipulated by the State Council.

The authority for approving the conferment of police ranks and the promotion of judicial police shall be stipulated by the Supreme People's Court and the Supreme People's Procuratorate in accordance with these regulations.

The system of police ranks shall not be implemented among personnel not charged with people's police duties at departments in charge of public security, national security, and labor-based correctional and educational programs.

Article 24. The State Council shall prescribe the designs of people's police insignia and the ways for wearing them.

Article 25. The State Council shall formulate the measures for implementing these regulations.

Article 26. These regulations shall take effect on the date of their promulgation.

EAST REGION

Zhejiang Paper Stresses Social Order in Reform

OW0906132292 Hangzhou ZHEJIANG RIBAO
in Chinese 2 Jun 92 p 3

[Article by Zhang Baochuo (1728 0202 4862) and Chen Lixu (7115 4539 2485): "It Is Necessary To Carry Out Reform and Crack Down on Crimes at the Same Time"]

[Text] At present, we should take advantage of favorable conditions, quicken the pace of reform and opening, and concentrate our efforts on economic construction. However, it is not enough to just carry out reform, opening, and economic construction. One needs two legs and hands to walk and work. While carrying out reform, opening, and economic construction, it is also necessary to vigorously crack down on crimes, stamp out social evils, and do a good job in developing a socialist spiritual civilization.

Crimes and social evils are not compatible with the nature of socialism. In carrying out socialist construction, it is necessary to rely on modern science and technology to engage in mass production so as to enable the masses to enjoy a high degree of material civilization. Likewise, when carrying out socialist construction, lofty ideals, high sense of morality, thriving education, science, culture, good social trends, and spiritual outlook are required to enable the masses to enjoy a high degree of spiritual civilization. Poverty does not mean socialism. Crimes, social evils, lack of spiritual life and deterioration of it also do not mean socialism. Many aspects of the nature of socialism manifest themselves in the spiritual civilization, for example, the scientific world view and theoretical foundation, collectivist ideology and new type of interpersonal relationship, good social trends, people's new spiritual outlook, and cultivation of new generation of fully developed people. Without spiritual civilization, it is impossible for the nature of socialism to fully manifest itself. This point is particularly important in socialist countries where the level of material civilization has still not been fully raised. Countries with less developed economies should pay more attention to stressing their superiority in building spiritual civilization; they should also emphasize that the development of spiritual civilization is the driving force for developing a material civilization. This is because the fundamental task of socialism is to develop the productive forces and eliminating social corruption and developing socialist spiritual civilization are the prerequisites for reform, opening up, and economic development. Now, reform, opening, and economic development, more than ever, need spiritual civilization to provide them with a driving force, intellectual support, and a forceful ideological guarantee to guide them toward a correct direction for development.

In practice, the Communist Party of China had gone all out to root out all criminal and social evils. In only three

years' time, the Communist Party and people's government had turned a rotten and corrupt Old China into a healthy and thriving New China. Kuomintang and capitalism had failed to stamp out ugly social phenomena, but the Communist Party had been able to perform the historical feat of rooting out ugly social phenomena. This is a historical proof of the ability of the Communist Party to root out social evils.

It is inevitable that reform and opening might bring in some negative things. It is like the inevitability of letting in some flies and mosquitoes when one opens windows for fresh air. Especially at a time when old systems coexist along with the new ones and when the necessary laws and regulations are unable to catch up with the new situation, it is inevitable that some criminal elements will take advantage of the vacuum; that some scums from the old society will try to take advantage of the situation to sabotage society; that ugly phenomena from the old society will rise from ashes; and that the corrupt phenomena of power abuse, of accepting and asking for bribes, and other kinds of corruption will occur. We should never make light of these phenomena, let alone treating crimes and ugly social phenomena as the necessary evils of reform and opening, entertaining the view that increases in criminal and corruption cases go hand in hand with reform, opening, economic development, cherishing the notion that it is impossible to carry out economic development and fight corruption at the same time; since we can't have both ways, it would be better to let the situation take its course. Facts have, however, shown that reform, opening, and economic development will not, by themselves, contribute to increases in crimes and foster bad social trends; they will actually help reduce crimes and eliminate ugly social phenomena. The deepening of reform and opening and the rise in the level of economic development have provided material means to eliminate ugly social phenomena; and with the development of the economy, social progress, improvement in various political, economic, and social administrative systems, the breeding grounds for criminal activities and ugly social phenomena will be gradually reduced and people's ideological awareness will surely be heightened as a consequence. In addition, it is possible to control the breeding and growth of crimes and ugly social phenomena through a superstructure that was established on the basis of the public ownership system, as well as through state power, and through such an advanced ideological system as Marxism. Therefore, the notion that the breeding and growth of ugly social phenomena and corruption go hand in hand with reform, opening, economic development and that it would be better to let the situation take its course is groundless. The loopholes that appeared in the course of reform, opening, and developing a commodity economy contribute to the increases in crimes and ugly social phenomena. One of the causes for the appearance of these loopholes can be traced to the fact that reform and opening in our country have not been carried out deep enough, that related measures and systems for reform and opening have not been introduced in a timely manner and improved, and

that our country's economy is still not well developed. One of the goals of reform, opening, and developing the economy is to plug up these loopholes, perfect regulations and systems, and root out crimes and ugly social phenomena. Since the Third Plenary Session of the 11th CPC Central Committee, we have formulated many sets of laws and regulations relating to punishment for corruption, prostitution, and drug trafficking; improved the organizational structure at various levels of discipline inspection, supervision, public security, and justice organs; carried out a large-scale campaign to popularize legal knowledge, thereby greatly enhancing the awareness for legal system among the cadres and masses, and accumulating experiences on cracking down on criminal activities. Of course, measures so far taken are still not enough to realize the goal of building socialism with Chinese characteristics. That is why we must continuously stress the building of a clean and honest government; integrate the work of building a clean and honest government with the deepening of reform and expanding of opening and bring about the mutual promotion of both; and perfect socialist democracy and legal system. The improvement of the legal system will spell doom for criminal and corrupt elements.

Therefore, it is necessary to stress carrying out reform, opening, cracking down on crimes, and eliminating ugly social phenomena. Only by developing the economy, fostering good social ethics, bringing about good social order, and surpassing capitalist countries and regions in the area of building spiritual and material civilizations, can we say that we are building socialism with Chinese characteristics. In this connection, it behooves us to guard against the tendency in our work of turning our back on reform, opening, of stopping to concentrate on the central task of economic construction, of even treating beneficial exploration for the liberation of socialist productive forces during the course of reform and opening as criminal acts when we talk about cracking down on crimes, stamping out ugly social phenomena, and building spiritual civilization. Another tendency which we should guard against is that when we talk about the need to serve economic development, reform, and opening, we tend to neglect the building of spiritual civilization, believing that material civilization comes before spiritual civilization, that a good job in building material civilization will automatically result in good spiritual civilization, and that rooting out of ugly social phenomena and building spiritual civilization has nothing to do with the cause of modernization construction. Those two tendencies lead to disregard for laws and regulations; they result in cases not being strictly handled according to law, in accumulation of cases that should have been handled, in failure to take action against criminal cases, in allowing criminals to go unpunished, in allowing the spread of social ills, and in trampling the sanctity of the law and party style.

While persisting in reform and opening, we should also oppose bourgeois liberalization. Criminal activities and ugly social phenomena may create social disorder and

interfere with reform, opening, and economic development. However, bourgeois liberalization, which negates the four cardinal principles, poses far more danger. If China turns away from the leadership of the Communist Party and socialist system, it will suffer the same ill fate that befell those former socialist countries following radical changes. Turbulence in a big and populous country like China will be a great disaster both for us and for the international community. We must treasure a stable political situation which has not been achieved easily, and voluntarily maintain social order.

The work of persisting in reform, opening, carrying out economic construction, severely cracking down on crimes, eliminating ugly social phenomena, and creating a good social environment for reform and opening, is a big project. Therefore, it is necessary to adopt a comprehensive approach and utilize legal, administrative, systematic, disciplinary, educational means to carry out this project. It is also necessary for administrative organs to work closely with the masses. On the one hand, judicial administrative departments should stress departmental cooperation, rectify the tendency of loose exercise of law and of a lack of forcefulness in cracking down on cases in a down-to-earth manner, so as to implement well the work on comprehensive management of social order. On the other hand, when carrying out the "vigorous crackdown on crimes" and other special anticrime campaigns, we should get at the root of the problems; give full play to the superiority enjoyed by judicial administrative organs in the areas of a good prevention system, good services, broad grass-roots organization; concentrate efforts on dealing with root causes; and do our best to prevent crimes, reduce the number of crimes and recidivists. It is also necessary to fully make use of modern publicity method to educate people and to improve social ethics; mobilize and organize the masses to fight crimes; commend courageous deeds and good people; help foster a trend in society of respecting and helping other people, so as to better improve social order and social ethics.

CENTRAL-SOUTH REGION

Party-Building in Shenzhen's Foreign-Funded Firms

HK1507062492 Guangzhou Guangdong People's Radio Network in Mandarin 1000 GMT 3 Jul 92

[Text] The Shenzhen City CPC Committee has regarded party organization building as a basic party building project for all foreign-invested enterprises in Shenzhen and has ordered that a corresponding party organization be established once a foreign-invested enterprise is set up.

Since the Shenzhen Special Economic Zone was established 12 years ago, party committees at all levels across Shenzhen have dispatched more than 1,000 party cadres to sit at boards of directors, act either as

Chinese representatives or trade union chairmen, or assume other executive posts in various foreign-invested enterprises.

At present, party members can be found in nearly 1,000 foreign-invested enterprises operating in Shenzhen while party organizations have been established in more than 500 foreign-invested enterprises. Moreover, leading party groups can also be found in more than 150 foreign-invested enterprises.

NORTH REGION

Hu Fuguo Named Acting Governor of Shanxi
OW2208133392 Beijing XINHUA in English
1304 GMT 22 Aug 92

[Text] Taiyuan, August 22 (XINHUA)—Hu Fuguo was appointed acting governor of Shanxi Province today by the Standing Committee of the Seventh Provincial People's Congress, following the resignation of Governor Wang Senhao.

Wang is to become general manager of the China General Coal Corporation.

Hu, 54, has served as deputy minister of energy and general manager of the China General Coal Corporation. He is a senior engineer and has been working in the country's coal industry since he graduated from college in the 1960s. In 1982 he was appointed deputy minister of the coal industry. He was born into a farmer's household in Zhangzi County, in the southeastern part of Shanxi.

Wang, 59 and a leading coal industry expert, served two terms as governor. During his service, the annual coal output of the province increased to 290 million tons by 1991, from only some 100 million tons before he took office in 1983. At the same time, the installed capacity of electricity generators in the province increased to 6.75 million kw from 2.7 million kw.

Shanxi, located in north China, is one of the biggest producers of energy in the country, accounting for one fourth of the country's total output of coal. It also provides more electricity for other parts of the country than any other province, municipalities or autonomous region.

Investors Struggle on Mainland

Pingtan To Attract Investors

92CE0598A Taipei CHING-CHI JIH-PAO
in Chinese 7 Jul 92 p 3

[Article by Liu Hsiu-chen (0491 4423 3791): "Pingtan's Geographical Position as the County That Is Closest to Taiwan; Its Tariff and Visa Preferences Should Make It a Key Market for Chinese-Taiwanese Trade"]

[Text] The blazing afternoon sun shines on one fishing boat after another docked along Guanyin Ao (bay) in Pingtan, Fujian. There is a sharp contrast between the freshly painted Taiwanese fishing boats and those from China whose paint is cracked and flaking. While trade is going on here, it is certainly not bustling.

The manager of a state-owned trading company in Pingtan says rather desolately that "as the Taiwanese authorities are keeping a tight hold on things, so that goods have not been flowing recently, it can be said that there are still no concrete signs of the market for trading with Taiwan that the Pingtan government would like to see!"

Pingtan is located at Mainland China's closest point to Taiwan, with Guanyin Ao southeast of Pingtan being only 68 nautical miles from the shores of Hsinchu, Taiwan, so that a less than 100-ton small fishing boat can make the trip in five-six hours. Ever since 1851 during the Ch'ing Dynasty, Pingtan has been a major port for Mainland-Taiwanese trade.

With such a favorable geographical position, Fujian Province hopes to seize the time to bring Pingtan's advantages into full play, in order to make it a more key market for Chinese-Taiwanese trade. First, it has put into effect more open policies and acted even bolder.

A Pingtan County government official points to an example of a policy for expanding trade with Taiwan, in which less than \$50,000 worth of Taiwanese imports are tariff-exempt, and regulatory tariffs of only 30 percent are imposed on over \$50,000 worth, while Chinese import tariffs are 50 percent, even in the SEZs [Special Economic Zones]. This seems to show Pingtan's desire to exert itself to speed up its trade with Taiwan.

Furthermore, this official adds that "in fact, we are very open, sometimes making even over \$50,000 worth of imports tariff-exempt." He says that as to exports, as long as Taiwanese firms can prove that the goods are returned directly to Taiwan, they are exempt from all export duties.

Pingtan now has two state-owned companies that specialize in trade with Taiwan, the Haitang Trading Corporation and the Pingshun Trade Company, which also conduct import-export business between Pingtan and the interior and foreign trade with other countries.

Manager Lin is a senior cadre in the Pingshun Trade Co who has made friends with many Taiwanese businessmen, who do business across the Taiwan Strait and tell him about Taiwan's prosperity and the good prices that can be gotten for Mainland Chinese products there. Manager Lin has always thought that "when the time is right, I will certainly go take a look at Taiwan."

In fact, the trade operations promoted by Pingtan with Taiwan are a kind of barter, in which an ordinarily less than 100-ton small Taiwanese fishing boat takes Taiwanese products to Pingtan, and then selects in exchange certain fresh fish and agricultural products to take back to Taiwan. When interior Mainland Chinese products are desired, they can be ordered in advance, and the business can be concluded within a one-day round trip.

Pingtan has set up a Taiwanese compatriot guest house, where Pingtan County customs examines and issues visas on the spot, which is equivalent to shifting maritime barter trade to Pingtan, while reducing maritime trade disputes.

While the New Taiwan currency seems to circulate without obstacle in Xiamen, its circulation is restricted in Pingtan, where businessmen prefer the U.S. dollar, so that most Taiwanese fishermen who go to Pingtan to buy goods take along U.S. dollars. Once their goods are sold, some exchange these U.S. dollars for New Taiwan currency to take back to Taiwan.

The strange thing is that Pingtan's garment market certainly does not have many Taiwanese goods, but rather mostly ready-made clothes from inland Chinese cities, such as Foshan and Quanzhou. When I asked the boss if they would take Taiwanese goods, he replied that they would not take many, because a pair of made-in-Taiwan Western-style men's jeans sells for \$150 RMB, which is both expensive and inferior in quality by local standards. This boss says that Mainland Chinese tourists from Fuzhou often tell him that "Taiwanese goods are not popular here, because so many of them are fakes!"

A Mr. Yu, the assistant general manager of a Taiwanese factory in Fuzhou, says that "as the current type of irregular trade across the Taiwan Strait is just a makeshift arrangement, a way must certainly be found to do wholesale business!"

This Mr. Yu is an honest businessman who reports to the government before investing in Mainland China. As he wants to invest in a market for Pingtan-Taiwan trade that will show future commercial opportunity and development potential, he is relying on such trends and the path beaten by fishermen across the Taiwan Strait, which the Taiwanese authorities have already seemed to have trouble controlling very strictly.

Another of Pingtan's resources is its widespread natural tourist scenery, which has been described as "secluded and still untravelled beauty." The Pingtan County government has begun to raise funds to build a vacation

village where it plans to have a great beach, so that Japanese, Taiwanese, and Hong Kong businessmen are competing to help in the development of tourism in Pingtan's 36-lake environment. The Pingtan county government has plans to expand its Jiangshan dock to a 10,000-ton capacity, in addition to building an airport for flights to the mainland, and gradually extending roads throughout the island.

Fujian To Wait for Direct Links

92CE0598B *Taipei CHING-CHI JIH-PAO*
in Chinese 8 Jul 92 p 3

[Article by Liu Hsiu-chen: "Fujian Is Waiting for the Arrival of the Three 'Exchanges' To Give It a Stake in Taiwanese Investment"]

[Text] While Fujian and Guangdong are both southeastern Chinese coastal provinces that were reformed and opened up by China in the 1980's, Fujian has obviously developed more slowly in the past 11 years, which is not unrelated to the longstanding confrontation across the Taiwan Strait. This is because while Guangdong, which borders on Hong Kong, has undergone much change driven by large amounts of Hong Kong investment, Fujian has been unable to attract similar help from Taiwan's rich financial resources.

This has made the Taiwan Plastics Enterprise Group's Haicang investment plan in Fujian a matter of great concern to many Fujianese. Whenever he meets Taiwanese visitors, the official in the Fuzhou People's Government who is in charge of Taiwan affairs always asks, "Is Wang Yung-ch'ing actually coming to Mainland China or not?"

This official goes on to say "look, while we have agreed to provide Wang Yung-ch'ing with so many preferences, which even the central government has now endorsed, he has still not begun to move. What is the matter?" In fact, the many preferences that the Xiamen government has offered to Wang Yung-ch'ing, such as permission to set up his own bank and run his own fleet of ships, are precedent-setting in mainland China's attempts to attract foreign investment.

In order to attract more foreign investment to Fujian, the Fujian government has similarly offered Indonesian overseas Chinese Lin Shao-liang [2651 4801 5328] extraordinary preferences, one of which is to turn over all of the land in the Fuqing EDZ to him for tract development. This EDZ, which originally included only 42 sq km, has been expanded to 50 sq km to make it Mainland China's biggest EDZ.

A Fujian government official says that "Lin Shao-liang's ancestral home was in Fuqing, so that what he is doing is basically reciprocating his hometown!" Such motivations cannot be overlooked, because Fujian is a well-known ancestral home of overseas Chinese. But while overseas Chinese joining up to make a return investment in their ancestral home has become a major

source of foreign investment in Fujian, the active steps taken to attract foreign investment show that the special treatment provided to certain people has affected later investors.

For instance, as the Fuqing EDZ has been turned over to Lin Shao-liang for tract development, Wang Yung-ch'ing will have to get land from Lin Shao-liang for his plans to set up in Fuqing a manufacturing zone for medium-sized and down-stream petrochemicals industries. And other investors will similarly have to make land arrangements with Lin Shao-liang. Local government officials are concerned about whether this might raise costs for future investors.

In fact, most Taiwanese firms that choose Fujian for an investment and factory site do so because of its geographical closeness and similar customs. Chang Shao-ta [1728 4801 6671], the general manager of the Ch'int'ai International Corp Ltd, notes that "while Fujian's people may not be familiar, its land is, and its population of 30 million makes its market comparable to Taiwan's." Another focus is the good long-range prospects for the three exchanges (exchange of mail, exchange of air and shipping services, and exchange through trade) across the Taiwan Strait.

Yu Chun-yi [0205 0193 5030], the deputy director of the Taiwanese-invested Fuhua Textile Printing and Dyeing Corporation, Ltd in Fuzhou, says that "Fujian at least has entrepot trade advantages, in addition to which plans are being made to invest a lot of money in building ports throughout Fujian in anticipation of the three exchanges."

For instance, the PRC State Council recently approved the building of the Changde International Airport in Fuzhou, which will be Mainland China's biggest international airport. A new port that can handle 20,000-ton ships and accommodate 400,000 passengers a year is now under construction in the Mawei EDZ. And the Fuqing EDZ is beginning to raise funds for a container dock that can handle 5,000-ton ships.

Fujian seems to be much more impatient for the three exchanges than Guangdong. Fujian Governor Jia Qingsheng [6328 1987 2651] recommends making ports, such as Zhangzhou's Gangwei Port Industrial Zone and Xiamen's Dongdu Wharf, international airport, and Feiji Ship Dock, into ones for direct three exchanges.

But lurking behind this series of positive actions are very prevalent examples of many operational details that are unsuited to foreign investors' demands. As to Xiamen's Xinglin Industrial Zone, which was approved by the Chinese State Council as an industrial zone for Taiwanese firms, Ts'ai Hsing-chuan [5591 1630 1227], general manager of the Yufeng Electronics Corporation, says that "when we first came to the Xinglin Industrial Zone, while we expected this special Taiwanese industrial zone to provide complete peripheral facilities, such as power and communications, things are still far below our expectations!"

The neighboring Fuxia Umbrellas has also run into similar problems, which are still delaying its production that was planned to begin in June 1991. While local Taiwanese businessmen suggest that "these problems for Taiwanese firms are likely to ease up when Xiamen Mayor Zhou Erjun's [0719 1422 0971] term is up," if efforts are not exhausted to clear up similar "minor details," how will Fujian be able to attract Taiwanese investment while waiting for the three exchanges?

Fujian Investors Favor Real Estate

92CE0598C Taipei CHING-CHI JIH-PAO
in Chinese 9 Jul 92 p 3

[Article by Liu Hsiu-chen: "Fujian's Economic Reform Plans May Be Good, But They Lack Legal Support"]

[Text] While Fujian Province, which is sandwiched between Guangdong Province and Pudong, Shanghai, is faced with attacks from both sides in Mainland China's push to reform and open up, it is still gaining advantage from both sides and rousing itself to catch up.

In the summertime, watermelon stands can be seen along Fuzhou's wide avenues, with self-employed workers displaying their melons and waiting for customers. But Taiwanese merchants wonder "why do their signs all say that their watermelons are red, instead of saying that they are sweet?" Meanwhile, all of these self-employed workers illuminate their melon stands at night with bright fluorescent lights, which cast an even brighter glare over the already bright red cut-open-for-display melons.

This is an intrinsic characteristic of Fujian's economic reform, which is still stuck in a stage of "pursuit of outward appearances." An official in the Fuzhou People's Government General Office analyzes this as the longstanding lack of a business mentality among Fuzhouites, or a traditional mindset that the need to pay connections makes doing business in coastal counties and cities a sort of piratical smuggling.

But in comparison to Guangdong and Shanghai, Fujian is obviously much more lacking in development backing. As Guangdong was opened up sooner, its people have already tasted the sweet fruits of opening up, which have driven them to an even faster pace. And as to Shanghai, since Chinese leader Deng Xiaoping's trip south this spring and, as the Central Committee has decided to make Pudong its new development focus of the 1990's, Shanghai is gradually beginning to show a spirit of wanting to catch up to Guangdong.

How Fujian as a southeastern coastal province can gain a share of the foreign investment that is being attracted to Mainland China has become a target of endeavor for Fujian officials and academics. The Fujian Province Taiwan Studies Committee is an academic research institution that was funded and set up by the Fujian government in 1991 to meet the demand for increased exchange between Fujian and Taiwan. It has naturally

become an organization to assist Fujian in attracting Taiwanese investment and planning the development of Fujian-Taiwanese relations.

A scholar affiliated with the Taiwan Studies Committee says that Fujian plans to make its GNP 8th in the PRC by 1994, with a provincial development strategy of "expansion in both the north and south to develop the center." In the south, it will further expand the Xiamen SEZ into Tong'an Company and develop Xiamen into a duty-free zone, while taking advantage of the Zhangzhou EDZ's position as an economic hub and its good port facilities to make it a hinterland for direct three exchanges across the Taiwan Strait. And in the north, the Mawei EDZ in Fuzhou will become Fujian's leader in developing technology-intensive industry, while the Fuqing EDZ will be expanded to attract foreign investment.

In the center, the China Petrochemicals Corporation plans to set up an oil refinery at Meizhou Wan (Bay), while Taiwanese legislator Chang P'ing-chao [1728 1627 3113] is also considering land tract development in Xiuxiugang. As to roads, construction will be speeded up on expressways linking Fuzhou to Xiamen and Fuqing.

While these plans have been detailed in the Eighth Five-Year (Economic Development) Plan, Fujian's opening up has exposed the following two new background problems: 1) Fujian lacks concrete steps for developing out of basically nothing; 2) The pincer attack from Shanghai and Guangdong is pushing up wage and land prices in the reform and opening up of Fujian, which is likely to be more of a detriment than an advantage to Fujian's development.

While Deng Xiaoping called on all areas to speed up their pace of reform after his trip south, and the Fujian government also issued a proclamation on faster opening up of tertiary (service) industries, even the Fuzhou government has still not provided details on how this is actually to be accomplished or which industries are to be opened up. And while Taiwanese businessmen would like to operate markets, establish trade companies, and invest in banking, Fujian still lacks the relevant legal standards.

But Fujian's sharply changing landscape has become a focus of attention. This change, which could be described as "occurring at a rate of a thousand miles a day," has brought several special development phenomena to Fuzhou. For instance, Fuzhou alone has 107 real estate companies, most of which are Taiwanese-owned. And its skyrocketing real estate prices have also given Fuzhou a well-renowned status in Mainland China's real estate market.

The Taiwan Pacific Development Fund's Dengyun Golf Club in Fuzhou sold stock to its members early in 1992 at a price of \$18,000 RMB a share, which has now shot up to \$25,000 RMB. And over 60 percent of the first offering of its double-phase Baidong Villa development was also sold out in a short two months. Chen Weiceng [7115 0251 2582], a special assistant to the club's general

manager, says that "Fuzhou is very attractive in this respect at least to Japanese, Hong Kong, and Taiwanese businessmen, so that our real estate business is naturally doing very well!"

Guangdong Service Industries Improve

92CE0598D Taipei CHING-CHI JIH-PAO in Chinese
10 Jul 92 p 3

[Article by Liu Hsiu-chen: "Guangdong Is Flexing Its Muscles To Compete With the Four Little Dragons"]

[Text] In the 11 years since China has been reforming and opening up, Guangdong's economic situation has improved greatly, with its rapid development pace having given it the grand manner of a flying dragon.

There has recently been a popular saying on Mainland China that "when you reach an intersection, keep on going if the light's green, speed up if it's yellow, and take a detour if it's red!" This typifies Guangdong's reform and opening mindset, which is not simply to follow central policies, but even to take advantage of them to the point where anything can be done as long as it is not expressly prohibited.

Since Chinese leader Deng Xiaoping's speech on his trip south to Guangdong, this mindset has become even more obvious, with reform and opening up being the slogan on the lips of all local government officials, and the scene on all streets having magically changed to one of row upon row of rising skyscrapers and mansions.

Zhu Tianpei [2612 1131 1014], the deputy director of Shenzhen's Economic Development Office, says that "since it was established, the Shenzhen SEZ has created a Shenzhen development pace" that has become the focus of world attention. This so-called "Shenzhen development pace" is backed up by much evidence. For instance, from 1979 to 1991, Shenzhen's national income rose from \$160 million RMB to \$17.44 billion RMB, for an average increase of about 45 percent a year, its GVIO [Gross Value of Industrial Output] went up from \$60 million RMB to \$20.5 billion RMB, for an annual growth rate of approximately 62 percent, and its export earnings increased from \$9.3 million to \$3.44 billion, or about 64 percent a year. This economic growth rate has already surpassed that of Asia's four little dragons.

This mindset is in place not only in Shenzhen, because Dongguan, Zhuhai, and Guangzhou are all taking similarly positive approaches. This is because since Deng Xiaoping's trip south, during which he called an all places throughout Guangdong to draw up plans for catching up to Asia's four little dragons in 15 years, this goal has become a common one.

All local government officials are full of confidence in their ability to achieve this goal. When representatives of the Taiwan Strait Exchange Foundation visited the Zhu Jiang (river) Delta in mid-June, they were shown

detailed development plans everywhere they went. Even in Zhuhai, which has been opening up slower all along, Vice Mayor Ceng Defeng [2582 1795 6912] spoke glowingly to Deputy Secretary Shih Ch'i-p'ing [4258 7871 1627] of the Taiwan Strait Exchange Foundation about how Zhuhai was planning to attract foreign investment to become a technology-intensive park, as well as telling of Zhuhai's aspirations to catch up to Shenzhen.

It is not hard to see that this wave of opening up in Guangdong is focused on tertiary industries. For instance, foreign businessmen are being allowed to set up joint ventures in industries, such as trade, commerce, and tourism, and consideration is being given to allowing them to set up foreign-invested bank branches. Moreover, active steps are being taken to attract foreign investment to set up funds for investment in the building of public facilities, while plans are being made for compensated land use, in order to further pave the way for wealth creation through land to replenish construction funds.

The Shenzhen Stock Market is about to become Mainland China's biggest trading center for B stocks (for purchase only by foreigners or Hong Kong, Macao, and Taiwanese compatriots), which will give Guangdong an even more convenient and quicker conduit for attracting foreign investment. As the Chinese Central Government has agreed to give Shenzhen independent legislative authority beginning on 1 July 1992, it can be predicted that all of Shenzhen is going to develop even faster once the (central) shackles are off.

When speaking of Guangdong's economic reform, one cannot overlook Hong Kong's impact. And as Taiwan has also begun to display a considerable amount of influence there in recent years, Hong Kong and Taiwan can be likened to Guangdong's right-hand men, who are brandishing their arms on its behalf. But as the series of gains there are sprouting and just about to mature, some are asking nervously "how long can Guangdong's high economic growth phenomenon last?"

While it used to take only four hours to drive from Guangzhou to Shenzhen, it now takes seven, eight, or even more, so that Taiwanese firms have become concentrated in places such as Dongguan, Shenzhen, and Qingxizhen. The original smooth blacktop roads are now full of muddy potholes due to too quick economic development and a sharp increase in traffic, which has naturally affected driving time.

While Chen Jinhui [7115 6930 6540], a chauffeur employed by the China Garden Hotel in Shenzhen, is quite pleased with his current income of \$700-\$800 RMB a month, he also complains about expenses having risen sharply. He says that "as each member of an ordinary family with an income of only a little over \$100 RMB a month must take presents worth \$30-\$40 RMB to a friend's wedding, this means that the whole family has to go without eating for a whole day!"

This is only the tip of the iceberg as far as the higher prices brought by Guangdong's economic development are concerned. The direct consequences are the pressure of rising wages that is already confronting Taiwanese investors, as well as the population of 12 million people from other places that is creating crises of poor public order and corrupt social values.

While Guangdong's past reform and opening successes have become models for other Chinese provinces, are not future potential crises likely to make Guangdong more cautious?

Firms Encounter Labor, Management Disputes
92CE0598E Taipei CHING-CHI JIH-PAO in Chinese
11 Jul 92 p 3

[Article by Liu Hsiu-chen: "As Small and Mid-Size Enterprises Expand Rapidly in Size, It Is Hard for Them To Avoid or Adapt to the Resulting Disadvantages"]

[Text] Taiwanese firms are expanding abroad, with Mainland China having become their new base of operations. But as Mainland China has more abundant resources and a much vaster territory, the small- and medium-sized enterprises that have moved there have grown many times larger in size than they were in Taiwan, which is making it hard for them to avoid or adapt to the resulting adverse effects.

Guangdong is a key area of Taiwanese investment, with many signs of Taiwanese firms to be seen in the county seats of Dongguan, Zhongshan, Shunde, and Nanhai, which are known as Guangdong's four little tigers. Even though the economic development of these places is closely linked to the relocated Taiwanese firms, officials in Taiwan Affairs Offices in several localities praise Taiwan-invested enterprises to the skies on one hand, while being forced to add on the other that they do not treat their workers as well as do other foreign-invested enterprises. Yu Dadong [0151 1129 2639], the deputy director of the Dongguan People's Government's Taiwan Affairs Office, told a visiting group from the Taiwan Strait Exchange Foundation that "Taiwanese-invested enterprises pay lower wages and give less time off!"

This does not seem to be too far from the truth, as the lights are still on at 2000 hours in the evening in Xiamen's Huli Industrial Zone. When asked about this, the local people respond unhesitantly that "almost all of the firms in this industrial zone are Taiwanese-owned ones, where workers at times do not get off work until 2200 hours at night!"

But Taiwanese businessmen regard overtime work as a common matter. They ask, do not enterprises in Taiwan rely on rush production and pumping out exports to acquire export orders? A Taiwanese businessman with an investment in a condenser factory in Qingxizhen, Dongguan says very proudly that "we operate 24 hours a day, so that someone is always on overtime!"

In fact, this is not the only Taiwanese firm that operates this way, as some operators even strive for better efficiency by making workers live at the factory. While living outside of the factory leads to worries about traffic jams and wasted time, factory management, worker board and lodging, and overtime pay have all become new problems for Taiwanese firms.

A recent work slowdown at Chenghsin Rubber's Xiamen plant led to the news of an internal reorganization there. And Ts'ai Hsing-chuan [5591 1630 1227], the general manager of the Yufeng Electrothermal Company in Xiamen, says helplessly that "worker slowdowns and strikes have become very common in Taiwanese-invested enterprises." A collective worker strike at Yufeng's Shenzhen plant in 1991 due to fights between workers from Sichuan and Shaanxi provinces, forced Ts'ai Hsing-chuan to resolutely fire all of his workers and recruit new ones.

While most Taiwanese firms in southeastern coastal China recruit workers from the interior, mainly because they work cheaper and are easier to manage, these workers from the interior are also very provincial, so that when anyone from their province is bullied, they express collective support, which naturally turns into a business management problem. The Taiwanese-invested Heheng Footwear Factory in Dongguan also recently experienced a protest strike by workers who were demanding that the boss raise overtime pay, which was finally resolved only through consultation with the local government.

Some Taiwanese businessmen grumble that "Mainland Chinese workers are so accustomed to everyone eating out of one big pot that the situation is basically one of everyone trying to take what they need without giving their all!" One technician sent from Taiwan to a motorcycle factory in Fuzhou, who was not accustomed to the Mainland Chinese style of eating out of large bowls filled with food, decided to have several workers share the food out onto several plates, which resulted in passing workers muttering about "those Taiwanese not only working us to the bone, but even eating our meat!" Some workers even took the lid off of the wok to see if the Taiwanese technicians were eating better than them, discovering that they were being served pork liver soup.

When Taiwanese operators speak of such puzzling phenomena, they are forced to impute them to the aftermath of Mainland China's Great Cultural Revolution, which has left people thinking only about enjoying outward equality, while inwardly hoping that things are as bad for others as they are for themselves. But is it still an unavoidable fact that some Taiwanese firms do not make proper arrangements for their workers' board and lodging.

For instance, some worker dormitories often have 10 people so squeezed into one small room that they can hardly even turn over at night when sleeping. And for many workers who do hot and dangerous jobs, factories do not have proper ventilation equipment, with the

proper face guards and gloves being considered simply unnecessary embellishments.

Ts'ai Yuan-sung [5591 3220 2646], the general manager of the Cankun Electrical Appliance Company in Xiamen, analyzes this as follows: While the bosses of most small- and medium-size Taiwanese enterprises had only 50 or 60 workers in their plants in Taiwan, they now often have as many as 500 to 600 in their Mainland Chinese plants. With such a rapid change, if these bosses of formerly small companies continue to use past management and administrative methods, it will be very hard for them to achieve their ideal of long-term operations in Mainland China.

Some Firms Are Making Money

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[Article by Liu Hsiu-chen: "Mainland China Is Offering a Cradle of Dreams, Which Can Be Realized Only Through One's Own Efforts"]

[Text] While Mainland China's southeastern coast is offering Taiwanese-invested firms a "cradle of dreams" for stepping into the international arena, the realization of such dreams has yet to be tested.

The stockholders in Taiwan's Tach'eng Great Wall Corporation have moved their investment to the Dacheng Food Company in Shekou, Guangdong, which not only made money in its very first month in operation, but has also made profits every month since in the last three years except for one month during a Spring Festival holiday. Such achievements have prompted all PRC banks to compete to make loans to it. Ts'ao Chen [2580 7201], its general manager, says that "the broad prospects for opening up Mainland Chinese markets are enabling us to gradually develop into a regional Asian company and even giving us prospects of going international!"

The manufacturers and business firms that had turned Taiwan into a footwear king have now moved to Mainland China and doubled their output. For instance, the Taiwanese-invested Haifeng Shoe Factory in Haixingsha, Guangzhou now has 5,000 workers and an output of 17 million pairs of shoes a year, with a 1991 business turnover of \$240 million RMB. Li Chung-p'ing [2621 0022 1627], its general manager, emphasizes particularly that in order to increase its output every month, the factory has created a "Haifeng company song" to stimulate its workers, whose two key lines are "we must fight to win, and we must act to achieve!"

When Taiwan's Asian Chemicals set up the Wanda Adhesive Tape Products Corp Ltd in Foshan, Guangdong, it also drew up development targets for the next two years, including plans to become one of Mainland China's three biggest adhesive tape factories. And Xiamen's Cankun Electrical Appliance Company has a business target for 1992 of \$50 million, which is no small amount.

These Taiwanese firms have gotten themselves onto a new playing field from which they are reassessing their prospects for stepping into the international arena. But many immediate problems in the local climate are forcing Taiwanese dreams to become more realistic.

One Taiwanese businessman found out only after he had invested in a textile mill in Fuzhou that there were very few mid- and down-stream textile businesses there, leaving it with very poor "related industry" qualifications. This forced him to invest in a dyeing and warping plant to dye and warp his own cloth, which naturally multiplied his costs. In fact, the lack of related up-, mid-, and down-stream businesses has become a common problem for some industries in Fujian, which has raised Taiwanese investment costs.

While the Yifang Footwear Company was set up in Xiamen mainly because of Xiamen's closeness to Taiwan and its language dialect similarity, its manager, Chuang Hsi-yan [8369 6932 3348], is very conservative about its future prospects. This is because the increasing numbers of Taiwanese investors in shoe factories has caused vicious price-slashing in Guangdong and Fujian. In addition, while shoes made in Xiamen must be transported to Shenzhen for export from Hong Kong through entrepot trade, not only can trucks for transport not be found during peak export seasons, but the time of a round-trip by truck goes up from 17 to 30 hours whenever it rains. This leads Chuang Hsi-yan to say that "it looks like the best we will be able to do is to maintain the status quo."

From a macroeconomic perspective, Guangdong, although in Hong Kong's hinterland, in the long-term its prospects will be nurtured by Hong Kong's capitalism, so that reform and opening up can be described as an irrepressible springtime, giving it the vitality to break free. The vigorous development of its township enterprises can explain this best. For instance, the Zhujiang (Pearl River) Refrigerator Factory is a well-known township enterprise in Shunde, Guangdong, whose output of Rongsheng brand refrigerators ranks it first in China, and which is now also known for its patent on an orderless refrigerator that it calls "a place of peaceful coexistence for both fish and watermelon." While it was still just an automobile repair shop with a little over 170 employees just seven or eight years ago, it had changed its identity by the beginning of 1992 to become one of PRC leader Deng Xiaoping's priorities to see on his trip south.

More electric fans are made in Shunde than anywhere else in China, which is the result of a change from state-owned to collective enterprises. Foreign economists analyze this as a tide that cannot be turned back, and no longer important whether it is capitalist or socialist.

But Guangdong's development still has limitations. While Deng Xiaoping directed Guangdong on his trip south to catch up to Asia's four little dragons in 15 years to become Asia's fifth little dragon, meaning that it will need much foreign investment for high-tech technology-intensive industrial development, Guangdong is now undoubtedly showing the after effects of exhaustion from too rapid growth and a lack of internal stamina.

And while Fujian has not had Guangdong's success in attracting investors to light industries, such as textiles, garments, toys, and footwear, the interest in Fujian of the famous Indonesian businessman Lin Shao-liang and Taiwan Plastics Enterprise Group's Wang Yung-ch'ing is expected to bring overnight change to Fujian. If Wang Yung-ch'ing

finally selects Fujian as the place where he will expand the petrochemicals industry, it can be predicted that this will mean a takeoff for Fujian's whole heavy and chemicals industries. In which case, it will be hard to say in the immediate future whether Fujian or Guangdong will be stronger in moving into the international economic arena!

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